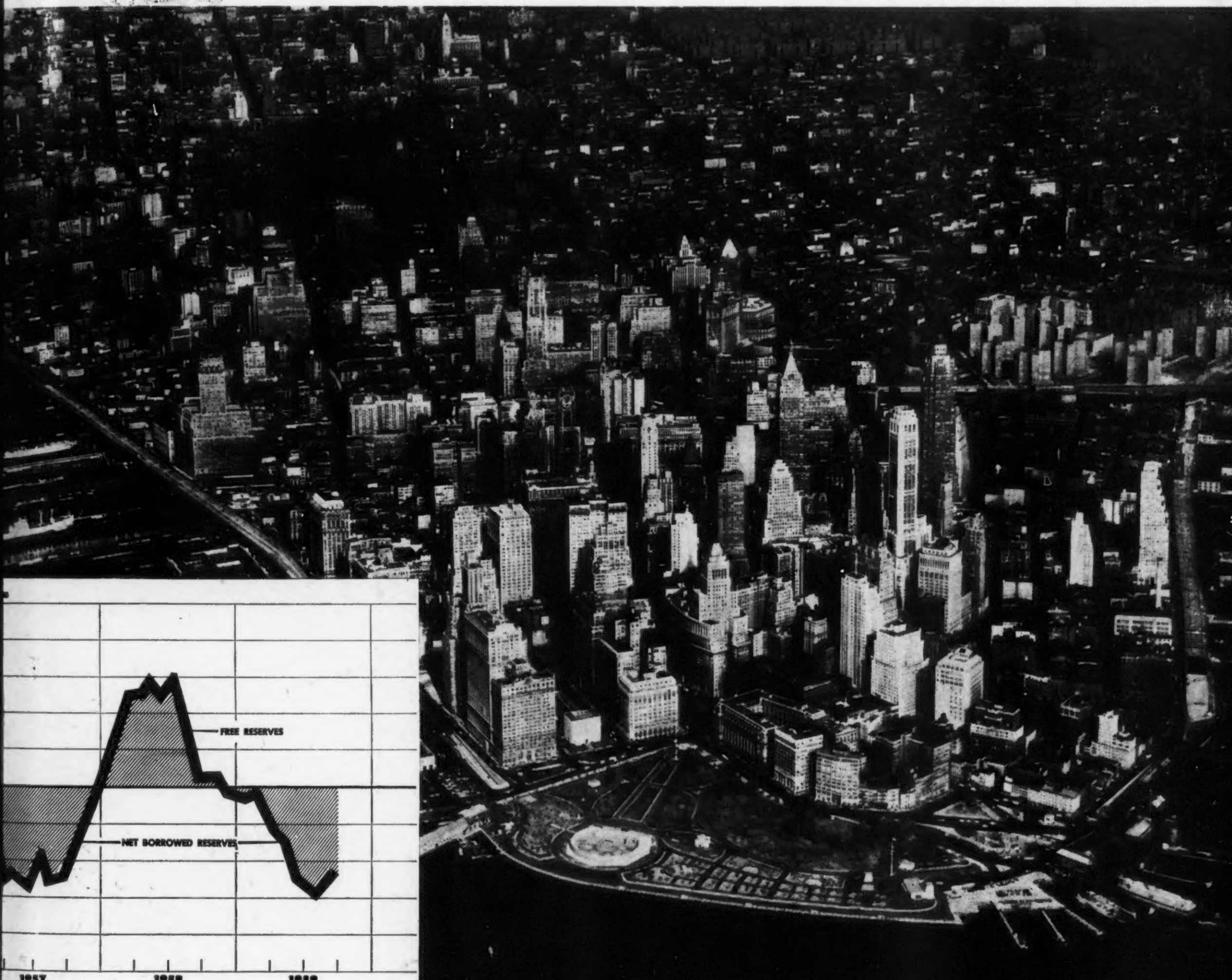
BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JANUARY 1960



Reserve Account—pulse of the Money Market (page 36)

The Condition of Money and Credit (page 34)

Bank Earnings during the Sixties (page 38)

W. Paul Stillman

President and
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Newark, N. J.

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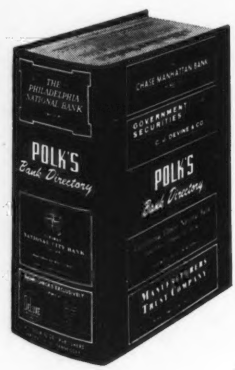
Mutual Benefit Life Insurance Company
Newark, N. J.



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In This Issue

Bank Earnings in the Sixties

Dr. E. Sherman Adams, A.B.A. deputy manager in charge of monetary policy, takes a look at profits—and sees a possible pinch for banks. In "Bank Earnings during the Sixties" (page 38) he notes that favorable trends cannot last indefinitely; any rise in interest rates will be at a slower pace—and they could go down. Loan-deposit ratios could go up, but they're unlikely to rise as fast as in the postwar period.

Sooner or later, Dr. Adams believes, "the profit margins of many banks will in all likelihood tend to be pinched between rising expenses and a slower growth in gross revenues." Ways in which bank earnings can increase, he suggests, include elimination of unnecessary expenses, increased efficiency, and "the resourcefulness of individual bank managements in developing sound and profitable types of lending." What these are we'll leave to your reading, starting on page 38.

Money at Work

For a vivid, lively picture of the section that used to be "the pleasant lanes of Nieuw Amsterdam" and is now New York's "Wall Street" we recommend "The Money Side of 'The Street,'" by Carl H. Madden. He's head of the New York Federal Reserve Bank's public information department, and he used that title for a thesis, now published by the bank as a booklet. We reprint two excerpts: "The New York Money Market" and "Managing the Nation's Reserve Position."

Mr. Madden's opus, needless to say, is not just a sightseeing trip. He tells what goes on in the money market and in the big Fed on Liberty Street. (Page 36.)

Dick's Back

It's been a cluster of years since the last Dick Ericson cartoon feature was published in BANKING. But he's back this month, bringing the usual chuckle. His talented pencil produced "Wheat Without Chaff," the story of an ambitious young banker who read and read and read, but just couldn't keep up.

Then he learned how. Somebody told him about—we shouldn't mention it—this magazine. "Let *them* separate the wheat from the chaff," said the friend. "They like to."

And you'll like the way this tight little story is told on pages 56 and 57.

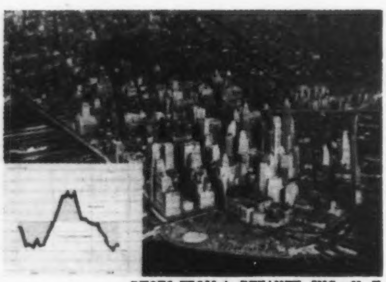

PHOTO FROM A. DEVANEY, INC., N. Y.

THIS MONTH'S COVER

The tall buildings at the lower end of Manhattan Island form the neighborhood described in the article starting on page 36. The chart is one of the indices of what goes on there. See also the charts on pages 34 and 35 under the heading, "The Condition of Money and Credit"

BANKING

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

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JANUARY 1960

Some material belongs in several different classifications but for your convenience is usually listed under one heading only

HERE AND ABROAD

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TAXES, TRUST, AND LEGAL

INVESTMENTS

OPERATIONS AND PERSONNEL

THE COUNTRY BANKER

GENERAL NEWS

BANKING'S Investment Forum

What's Ahead for Bankers and Investors

Here are condensed comments on the outlook for several segments of the economy, including interest rates and bonds, made by speakers at the bank correspondents conference sponsored by The First National Bank of Chicago.

TRENDS IN BANKING

Charles F. Newhall, vice-president, The First National Bank of Chicago

THE commercial banks should enjoy relatively high levels of gross income as money rates promise to remain at least at current levels. The rollover into current higher returns of longer-term investments previously placed on the books at lower income rates also will raise the average rate of investment portfolios.

Cost of operation obviously will continue to mount, which will test management ingenuity.

Federal Reserve credit restraint doubtless will be continued. However, the cash surplus of $5- to $6-billion which the U. S. Treasury will enjoy in the first half of 1960 will tend to ease the credit situation.

BANKER MEETS INVESTOR

Waid R. Vanderpoel, assistant vice-president, The First National Bank of Chicago

SUGGESTIONS for the banker in his often involuntary job as investment adviser and financial confidant:

(1) Security ownership is increasing all over the country. There is considerable reason to believe that the number of **requests to bankers for investment guidance will continue to multiply.**

(2) Bankers can aid their customers in determining a set of suitable **investment objectives tailored to meet the specific requirements** of the individual or family.

(3) They can help customers realize that **riskless investments don't exist.** Stocks continue to be subject to substantial short and intermediate term price risk. This is particularly true when price earnings multiples are high and after a long period of market advance. Fixed dollar investments have suffered serious losses when measured in terms of providing a standard of living.

(4) While inflation has exerted an important influence on the purchasing power of the dollar, the role of **a changing living standard has been even more important during peacetime.**

(5) With research expenditures rising, **future technological advances will vastly alter our way of life.**

(6) If investments are to maintain their relative values, **they must become increasingly productive.** If both principal and income do not increase with family incomes the investor will experience a very real purchasing power loss, even if there is no further price inflation.

(7) Industries, products, and consumer preferences are changing, and **will continue to change more rapidly than ever before.**

TREND OF INTEREST RATES

Dr. James J. O'Leary, director of economic research, Life Insurance Association of America

THROUGHOUT 1960 a highly prosperous economy should provide the basis for credit and capital demands which will keep interest rates **firm at present levels, and possibly push them slightly higher.** The decade of the 1960s, moreover, promises to be one of very heavy demands for loanable funds so that **the current upward trend of interest rates may very well be extended at a more gradual rate for the next several years.**

In view of the great demand for capital in the next decade, artificial ceilings in the money and capital markets should be removed and market forces should be permitted to do the job expected of them in a market economy.

GOVERNMENT BONDS

Le Roy F. Winterhalter, vice-president, The First National Bank of Chicago

IT appears that **credit will be tight well into 1960 and that interest rates will be firm, with some upward pressure possible.** Despite this, however, it is my personal view that **yields on U. S. Government obligations are relatively high and that as a consequence a period of stability** of U. S. Government bond prices is highly possible.

While the Treasury, through 1960, is not expected to raise much cash, if any, it will be coming repeatedly into the market to refund large volumes of maturing securities. Because of the present legal ceiling of $4\frac{1}{4}\%$ interest on bonds, much of this refinancing will have to be short and intermediate term, with resulting pressures on interest rates in these areas. The relative absence of corporate buyers of Treasury bills will put added dependence on the banks and will add to upward pressures on the money supply.

MUNICIPAL BONDS

George B. Wendt, vice-president, The First National Bank of Chicago

AS each new tax-exempt underwriting continues to receive favorable acceptance from retail buyers, it has reflected further firmness among municipals. Outside influences seem less important for the time being, but the final outcome of steel negotiations and trend of business for 1960 is still uncertain.

Barring any unusually large amount of new financings, **the present level of the municipal market could be sustained possibly into the early weeks of 1960.**

(CONTINUED ON PAGE 6)

TEACHING BY TV

Bell System facilities meet a new need. Already a vital link in filling educators' requirements within a locality, state or across the nation

HELPING TO TEACH . . . HELPING TO LEARN. Classroom scene in Cortland, N. Y. This is one of the schools now using Educational TV. More than one TV receiver can be used where teachers wish to accommodate larger classes at one sitting.

An interesting current development in education is the use of television for instruction—both in classrooms and in the home.

Evidence that a shortage of qualified teachers is developing coincides with the need for some way to meet the awakened interest in mathematics, physics, chemistry, and education in general—from the elementary school to the college level.

Many educators, in studying the twin problem, are thinking more and more about the possibilities of Educational TV in their teaching programs.

In transmitting TV lessons and lectures from place to place, various means are available. Closed circuit Educational TV systems between schools may be required. Or connection between broadcasting stations in different cities. Or a hook-up between closed circuit systems and one or more broadcasting stations.

Whatever distribution of TV is needed, in city, county, state, or across the country, the Bell Telephone Companies are equipped to provide it. They have the facilities and years of know-how. And the on-the-spot manpower to insure efficient, dependable service.

For over three years, the local Bell Telephone Company has provided the closed circuit ETV network which successfully serves thirty-six schools in Washington County, Maryland.

In Louisville, Kentucky, telephone company facilities now connect five elementary schools. In New York State, they serve a high school and seven other schools in the Cortland area.

In San Jose, California, they link four schools with the campus of San Jose State College. And in Anaheim, California, eighteen schools are served by TV.

The largest of the many current educational TV projects is called Continental Classroom. The Bell System is one of the business organizations which support it.

In this great "classroom," about half a million people get up early each weekday to view a half-hour lecture on Modern Chemistry on their TV sets at 6:30 A.M. This 32-week college course goes from coast to coast over Bell System lines.

The Bell Telephone Companies believe their TV transmission facilities and know-how can assist educators who are exploring the potential value of educational television.

They welcome opportunities to work with those interested in this promising new development.

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(CONTINUED FROM PAGE 4)

The two short items below are reprinted from *The Exchange*, published by the New York Stock Exchange

A Billion Shares Traded

As the current year approaches a close, it is apparent that the 1959 volume of trading on the New York Stock Exchange — including odd-lot transactions — will top the billion mark for the first time since 1930 and the fourth time in history.

Late November estimates put the 1959 share turnover at 1,040,000,000 shares, but a heavy volume of trading in December could lift it above that figure.

The heaviest turnover for any year in history was 1,534,000,000 shares in 1929, which topped the 1928 figure of 1,253,000,000 by a comfortable margin. The third highest year was 1930, when 1,108,000,000 shares were traded — a mark that could be surpassed in 1959 if this month's volume proves to be unusually heavy.

If the 1959 estimate of 1,040,000,000 shares traded proves reasonably accurate, it will mean that the current year's volume will top the 1958 total by nearly 13 per cent and the 1957 turnover by 45 per cent.

In 1942 the number of shares traded on the "Big Board" fell to 168,114,335 — the lowest for any year since 1929. The estimated 1959 turnover represents an improvement of more than 500 per cent over the 1942 low.

Although the volume of "Big Board" trading this year compares favorably with the record years of 1928, 1929 and 1930, it is another matter entirely when the *value* of trading is compared.

The value of 1929 trading, for instance, amounted to a staggering $124,900,000,000, or nearly 184 per cent greater than the estimated 1959 value figure of $44,000,000,000. In 1928, the value of shares traded was well above $98-billion and in 1930 the figure topped $61-billion.

Institutional Investor Gains

More evidence comes to hand of the growing importance of the institutional stockholder.

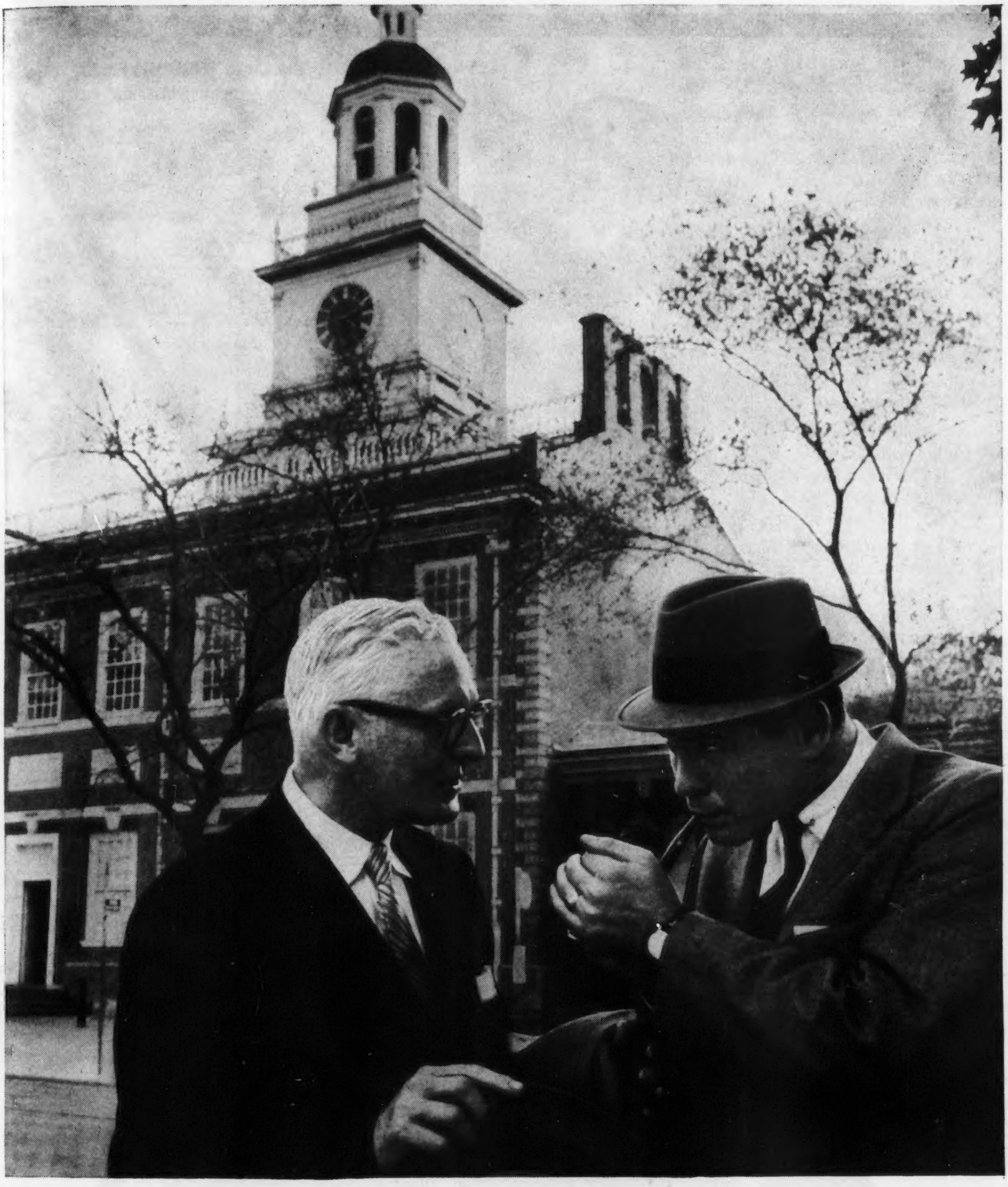
For instance, the table below indicates that—in the three years ending early in 1959—the proportion of all listed common stock registered directly in the names of individuals *decreased* and the proportion registered in the names of non-individuals *increased*.

These changes occurred as the number of individual owners of stock listed on the "Big Board" increased to 8,510,000 from 6,880,000 and the number of individual owners of *all* stock rose to 12,490,000 from 8,630,000.

Two broad types of non-individual stockholders—nominees and institutions—were the combined holders of record of 31.8 per cent of the shares of common listed on the Exchange early this year; whereas they accounted for 26.4 per cent of the early 1956 total.

Three-year Changes in Distribution of N.Y.S.E. Listed Common Shares by Stockholders of Record Types
(IN MILLIONS OF SHARES)

Stockholder-of-record Classification	Early 1959	% of total	Early 1956	% of total
Total	4,811	100.0%	3,724	100.0%
Foreign	91	1.9	85	2.3
Domestic	4,720	98.1	3,640	97.7
Individuals	2,047	42.5	1,692	45.4
Male	1,106	22.9	886	23.9
Female	941	19.6	806	21.6
Joint accounts	277	5.8	205	5.5
Fiduciary individuals	236	4.9	157	4.2
Fiduciary Institutions	147	3.1	162	4.3
Brokers/dealers	481	10.0	441	11.8
Nominees	926	19.2	574	15.4
Institutions and others	606	12.6	409	11.1



Overheard in Philadelphia:

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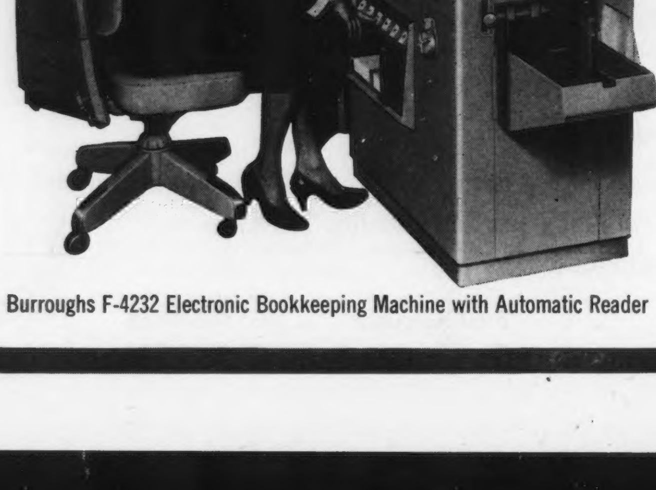

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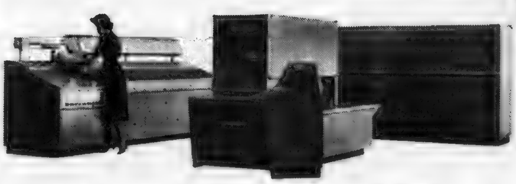

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Burroughs F-4232 Electronic Bookkeeping Machine that automates account posting all the way from form alignment and electronic account verification to new-balance printing and form ejection.

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GOVERNMENT BONDS

Market Goes Into Reverse . . . New High Cost for Bills . . . Vault Cash for Reserves . . . Open Market Committee Buys Bills . . . Treasury Gets More Cash . . . Bank Loans Increase . . . Investments Decline . . . Outlook

MURRAY OLYPHANT

THE prospect seems to be that a sharp upturn in business volume early in 1960 is assured, with the decided probability of a further increase in the demand for loans and no letup in the need for capital expenditures.

Hence there is little if any doubt that the demand for credit will continue to be in excess of supply. Therefore, to expect any decrease in the cost of credit is completely unrealistic.

In December the action of the market for fixed income securities seemed to recognize that such was the case.

Market Goes into Reverse

A comparison of the prices of various Government securities on November 2 with those on December 3 shows that all declined, with little distinction as to maturities.

Bonds, maturing from 1963 to 1995, all declined a point or more, with a couple of minor exceptions. The notes were all down from 10/32 to 1½ points.

The 4⅞% bonds 11/15/63 and 4¾% bonds 5/15/64 were available at 99 26/32. The only Government issue for which there was a bid of 100 or more was the "magic 5s," and these, at 100-20/32, were off ¾ from their high of 101 8/32.

The character of the market was much as it has been for months except for a couple of weeks in October. Banks continued to exchange one issue for another for tax purposes, in some cases buying bills. Now and then small blocks of the longer bonds were bid for by investment funds, but sellers outnumbered buyers. Any sizable deals were made on a work-out basis. Dealers kept their positions at a minimum.

Comparison of Yields

	Maturity	*Price*	*Yield Before Tax*	*Yield After Tax*
3½% notes	5/15/60	99 8/32	4.94%	2.38%
4% notes	2/15/62	92 2/32	4.94%	2.66%
4⅞% notes	11/15/63	99 26/32	4.92%	2.37%
4% bonds	10/ 1/69	96 12/32	4.46%	2.26%
3¼% bonds	6/15/83/78	86	4.19	2.26%
3% bonds	2/15/95	82½	3.92	2.12%

Only in the shortest-term issues was there any real volume of transactions and, of these, most were in Treasury bills.

Now and then some rumor would result in a slight markup in quotations, but, pretty soon, the quotes were marked down again.

Preference for the shorter-term issues was explainable when yields were compared such as shown in the table above.

Treasury bills due in less than one year were obtainable at times to yield 5% or very close to that rate—even more than that if figured on the same basis as the yields on bonds.

Only a belief that interest rates would decline shortly and sharply would seem to justify the purchase of the longer-term issues. As yet there is nothing to warrant such a belief.

New High Cost for Treasury Bills

The result of the weekly offerings of Treasury bills from November 5 to December 1 are shown in the table, page 12.

The rise in cost after the middle of November could be accounted for by (1) market saturation due to the cash offerings of \$2-billion of 320-day bills on November 19 and (2) some evidence that the absorption of bills from other than bank sources was, for the moment, showing a tendency to decrease.

Outlook

ON the assumption that industrial strikes will be settled and that the economy will surge forward again, it seems more than probable that the cost of credit will increase further.

The demand for credit—both for loans and capital expenditures—can hardly fail to be greater. Where can there be an equivalent increase in the supply?

True, the Federal Reserve could buy more Governments, but it is reasonably certain that any such action will be kept at the absolute minimum necessary not to throttle business expansion. Their often expressed, sound, anti-inflationary policies will have priority.

At the moment there certainly seems to be much more likelihood of higher interest rates and lower prices for bonds.

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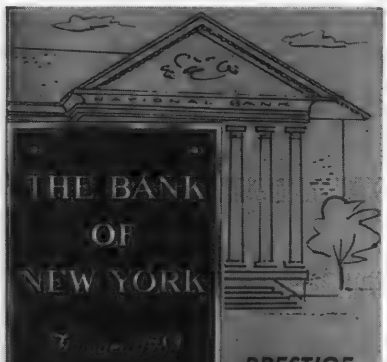

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Weekly Treasury Offerings

Offered on	*3 months Amount*	*3 months Average Cost*	*6 months Amount*	*6 months Average Cost*	*Yield Spread*
Nov. 5	$1.2-billion	4.089%	$400,000,000	4.534%	.45%
Nov. 12	$1.2-billion	4.332%	$400,000,000	4.744%	.41%
Nov. 19	$1.2-billion	4.279%	$400,000,000	4.625%	.35%
Nov. 25	$1.1-billion	4.50 %	$400,000,000	4.891%	.39%
Dec. 1	$1.2-billion	4.638%	$400,000,000	4.969%	.33%
Average for period		4.37 %		4.75 %	
Avg. for previous period		4.125%		4.55 %	

Already the amount of Treasury bills outstanding is in excess of $41.5-billion. At some point demand may not equal supply unless at even higher than current rates.

However, the way in which the cost of short-term money has increased has proved the point which the Treasury made to Congress: that such would be the case unless the restriction was lifted on the 4¼% rate on bonds. It is to be hoped that Congress, when reconvened, will see the light.

Vault Cash for Reserves

Primarily to avoid the necessity of buying more bills for the portfolio, the Federal Reserve authorities allowed the member banks to count some of their vault cash as reserves. Estimates were made that this action added about $160,000,000 to the reserves of country banks and about $70,000,000 to the reserves of the Reserve City and Central Reserve City institutions. This really did not help the larger banks, whose cash positions have been kept close to minimum requirements, so that there was no easing of the money situation in the larger banking centers.

The Federal Reserve authorities are permitted to lower the member bank reserve requirements, but it is not likely that this would be done unless there were some extreme drain on the credit supply. It can hardly be expected in the near future.

Open Market Committee Buys Bills

For the period from November 4 to December 2 the OMC added $491,000,000 in bills to the "bought outright" sector of the Federal Reserve banks' portfolio. But for the same period there was a reduction of $229,000,000 in the amount of repurchase agreements. Hence the actual increase in the portfolio was only $262,000,000, which considerably less than offset the drain on bank reserves represented by the increase of $524,000,000 in money in circulation and a $17,000,000 decline in the gold stock.

However, the average amount of "negative reserves" for the period was only about $460,000,000, as the float averaged over $1-billion and the use of vault cash as reserves was of some help.

After the yearend, money in circulation should flow back to the banks and permit the OMC to sell some bills back to the market.

Treasury Gets More Cash

On November 19 the Treasury offered $2-billion of 320-day bills for subscription and disposed of them at an average cost of about 4.86%.

Banks were heavy subscribers, as they were permitted to pay for the bills by credit to their Treasury tax and loan accounts. As usual, however, the banks began at once to lower their holdings, so that by the end of the month these bills had sold to yield 5% to the buyers. Later on some renewed demand bettered the price somewhat, but on December 8 the quotation was still about 4.96%-4.93%.

When these bills were offered, the Treasury also gave the holders of about $1.6-billion F and G Savings Bonds, issued in 1948 and maturing in 1960, the right to exchange them for 4¾% notes 5/15/64 at 99 ¾ and interest to 12/15/59. The offer was open from November 23 to November 30 but was subsequently amended to permit acceptance by "letters of intent" in cases where the consent of co-executors, co-trustees, etc., was necessary and could not be immediately obtained.

It would seem that a step-up of over 1% in the interest return, with a maturity of only about five years, was worth taking. The actual amount exchanged has not yet been reported but is expected to be be-

tween $750,000,000 and about $1-billion.

The Treasury will probably need $2- to $3-billion more cash in January. Tax anticipation bills totaling $1.5-billion matured on December 15. Attrition on recent financing, plus the continued excess of Savings Bond redemptions over sales, may amount to close to $1-billion. Also on January 15 there is a maturity of $2-billion of bills.

Should this financing coincide with a period of even moderate disinvestment in bills from other than bank holders, a new high rate for bills could be recorded.

In February, maturities of about $11.5-billion must be refunded, so there is no letup in sight for the problems of the Treasury. Perhaps, however, by that time Congress will have raised the permissible rate for bond issues.

Bank Loans Rise, Investments Decline

Holding fairly level from November 4 to November 25 the total of loans (adjusted) of the reporting member banks rose $451,000,000 in the week ending December 2. At that point commercial, industrial, and agricultural loans were up $304,000,000 for the full period and were expected to rise further.

An increase in the banks' holdings of bills of over $1-billion was nearly offset by sales of other issues of about $900,000,000, and $179,000,000 of "other" securities were disposed of, so that security holdings dropped $71,000,000.

Normally after the first of the year loans might be expected to decline somewhat, but a contra-seasonal tendency is looked for under present conditions.

Graduate School of Savings Banking on Brown U. Campus

Brown University at Providence, R. I., has been selected as the campus for the Graduate School of Savings Banking, sponsored by the National Association of Mutual Savings Banks, and Dr. Lloyd F. Pierce has been appointed director of the school and director of the association's newly-created Department of Education. The announcement was made by Dr. Grover W. Ensley, executive vice-president of the association, following approval by the association's board of directors. The creation of an education department for the association and the decision to conduct a Graduate School of Savings Banking were announced earlier by the association's president, John deLaittre.

Dr. Pierce, who assumed his post on November 1, was formerly assistant vice-president of the Hamilton National Bank of Johnson City, Tenn., was a member of the board of the Tennessee Council on Economic Education and of the Johnson City Development Corporation. He is a member of the American Institute of Banking. Dr. Pierce, after receiving his B.A. from Carson Newman College, did graduate work at American University, where he received his M.A. degree in finance and economic theory, and at the University of Wisconsin, from which he received his Ph.D. in economics in 1953. During these years he taught at the University of Tennessee and the University of Richmond. From 1950 to 1954 he was chairman of the department of economics at the East Tennessee State College, and in 1954 he became dean of the college's School of Business Administration. In 1956 he joined the Hamilton National Bank.

Commenting on the board's decision, John deLaittre, president of the association, said, "the primary objective of the Graduate School of Savings Banking will be to help qualified personnel from savings banks of all sizes to develop skills and abilities in the management of savings institutions. To achieve this objective, the school will seek to develop a broad understanding of the American economy and the function and the place of mutual savings banks in this environment."

It would be a sad world if the opinions we hold of others were also what they think of us.

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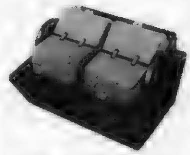

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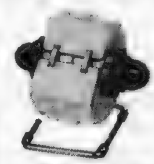

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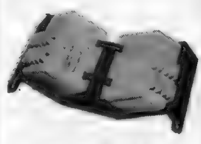

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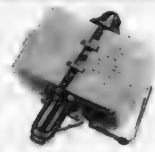

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THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

WITH other than short-term Treasury financing presumably concluded for 1959, brisk demand appeared early in December for state and local governments. Prices finally turned lower and yields increased. This was not surprising because unsold inventories of bonds had backed up on dealers' shelves since the middle of November. There was a sizable proportion of new issues coming to the market in December which contributed to market trends.

This was quite a different story from October when $557,000,000 in municipal bonds were sold. This was about 28% higher than in October 1958, but it fell short of the $679,000,000 of municipals sold in October 1957. New issues had substantially lower yields than previously with the greatest decline in the longer maturities.

Municipal Bond Sales at Record Rate

Sales of municipal bonds during the first 10 months of 1959, according to the Investment Bankers Association of America, totaled $6,588,000, compared with $6,516,000 in the corresponding period of 1958. All indications are that the annual sales for the year as a whole will establish a new record.

So far there has been an increase of 41% in revenue bond sales while general obligations without a revenue pledge have been 12% below 1958. It seems to indicate that states and municipalities as a whole either cannot or do not rely on their general credit, and prefer revenue issues.

Generally speaking, voters were receptive to bond proposals put up to them in October and November. One big exception was the defeat of the $500,000,000 New York City school bond authorization. In October voters approved 87% of all proposals, or $339,000,000. In November, excluding New York City, 88% of all proposed bond issues were approved in terms of dollar value. This meant 77% of the total number of issues.

In fact the three largest categories for which bonds are sold are to finance education, water and sewer facilities, and public housing. This applies to states, counties, municipalities, townships, school districts, special districts, and state authorities.

Tax swapping, as in preceding years, was a feature of the investment markets in the weeks preceding New Year. Blocs of various sizes and types of bonds were offered and they attracted fairly close bidding and good interest.

The emphasis in the investment markets these days is on yields. The National Association of Mutual Savings Banks reported a loss of nearly $200,000,000 in deposits because of the Treasury offering of the "magic" 5% notes, due 1964. The Treasury bill rate in December reached 4.5%.

Bankers' acceptances rose to the highest level in modern times. Finance companies boosted rates from ⅛ to ¾ of 1% and dealers in commercial paper followed suit. Economists wonder, naturally, what the effect on the economy will be. It may create a reluctance to borrow money. It may slow down activity.

Money rates, however, are not the all-supreme factor in the investment markets. Over-all economic conditions predominate. There are such questions as the steel settlement and/or renewed strike, the labor-management dispute in the railroad industry, and in others, and the surplus farm problems.

Institutional investors, such as investment companies and pension funds have been an ever increasing influence in all sectors of the investment markets.

The increase of importance of institutional investors has led to a number of interesting developments. Most of them shifted out of government securities into stocks and corporate bonds because of higher yields. There has also been a steady withdrawal of high-priced stocks from active trading because institutional buyers buy for the long range and sell only after mature consideration. This is one of the reasons why the stock exchanges have promoted listings and stock splits.

Institutional investing has also added a good deal of stability to the investment markets. Committees, guiding the investment policies in investment companies, pension funds, and insurance companies are not so emotional as individual investors. When the markets decline they rarely sell.

"Uncomfortable Choice"

There are about 70 banks in the United States which have control over nearly three-fourths of the assets of 5,269 pension and employee-benefit trust accounts under their administration. The Twentieth Century Fund noted in a recent report "at some time in the not too distant future, the banker-trustees are going to be faced with an uncomfortable choice.

"They will have to buy into a position of authority in the larger corporations, or reject profitable investments in order to avoid the responsibilities that accompany large shareholdings. Certain large New York banks," it was added, "might soon approach a point where their combined holdings of stocks for pension funds could give their opinions considerable weight among larger companies."

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Amount of Issue	*Tax-Exempt*
$ 10,000,000	ALABAMA HIGHWAY AUTHORITY† Var. Rates Rev. Bonds, Due 1961-80
22,750,000	BIRMINGHAM INDUST. WATER BOARD, ALA.† Var. Rates Rev. Bonds, Due 1960-99
10,246,000	BUFFALO, NEW YORK 2¾% Bonds, Due 1959-74
40,000,000	CHICAGO, ILL.† 3% & 3¼% Bonds, Due 1960-77
120,000,000	CHICAGO-O'HARE INTERNATIONAL AIRPORT† 4¾% Rev. Bonds, Due 1999
26,900,000	CINCINNATI, OHIO† 3¼% & 3½% Bonds, Due 1960-89
23,300,000	CONSUMERS PUBLIC POWER DIST., NEBR.† Var. Rates Rev. Bonds, Due 1963-92
44,000,000	COOK COUNTY, ILL.† 4% Bonds, Due 1960-77
11,400,000	DALLAS, TEX.† Var. Rates Rev. Bonds, Due 1959-79
15,925,000	DETROIT, MICH.† Var. Rates Bonds, Due 1960-84
25,000,000	EAST BAY MUN. UTILITY DIST., CALIF. Var. Rates Bonds, Due 1960-94
12,500,000	HAWAII, TERRITORY OF† Var. Rates Rev. Bonds, Due 1961-89
20,245,000	HOUSTON, TEX.† Var. Rates Bonds, Due 1960-84
10,700,000	HUMBOLDT BAY MUN. WATER DIST., CALIF.† Var. Rates Bonds, Due 1964-98
32,000,000	INDIANAPOLIS-MARION COUNTY BLDG. AUTH., IND.† 4¾% & 4⅛% Rev. Bonds, Due 1963-99
26,000,000	LOS ANGELES SCHOOL DISTRICTS, CALIF.† 3¾% Bonds, Due 1960-84
40,000,000	LOS ANGELES CO. FLOOD CONTROL DIST., CALIF.† 4% Bonds, Due 1960-89
20,000,000	LOUISIANA, STATE OF† Var. Rates Bonds, Due 1960-81
81,762,000	MASSACHUSETTS, COMMONWEALTH OF† Var. Rates Bonds, Due 1960-2009 (2 issues)
71,750,000	MASSACHUSETTS PORT AUTHORITY† 4¾% Rev. Bonds, Due 1998
75,000,000	MICHIGAN, STATE OF† (2 issues) Var. Rates Rev. Bonds, Due 1960-85
29,704,000	MICHIGAN SCHOOL DISTRICTS Var. Rates Bonds, Due 1959-89 (19 issues)
18,800,000	MILWAUKEE, WIS.† 3% & 2.90% Bonds, Due 1960-79
22,876,000	MINNESOTA, STATE OF† 3% Certificates, Due 1964-76
26,237,000	NASSAU COUNTY, N. Y.† 3¾% Bonds, Due 1960-88
15,991,000	NEW HAMPSHIRE, STATE OF 3¼% Bonds, Due 1960-88
39,736,000	NEW YORK SCHOOL DISTRICTS Var. Rates Bonds, Due 1959-89 (17 issues)
400,000,000	NEW YORK STATE POWER AUTH.† Var. Rates Rev. Bonds, Due 1965-79 & 2006 (2 issues)
50,000,000	NEW YORK STATE THRUWAY AUTH.† Var. Rates Rev. Bonds, Due 1966-79 & 1996
12,667,000	OAKLAND COUNTY, MICH. Var. Rates Bonds, Due 1960-89 (2 issues)
53,000,000	OREGON, STATE OF† (2 issues) Var. Rates Bonds, Due 1964-65 & 1972-75
25,000,000	PENNSYLVANIA GENERAL STATE AUTH. Var. Rates Rev. Bonds, Due 1962-86
10,000,000	PENNSYLVANIA STATE HIGHWAY & BRIDGE AUTH. Var. Rate Rev. Bonds, Due 1961-80
9,700,000	PENNSYLVANIA STATE PUBLIC SCHOOL BLDG. AUTH. Var. Rates Rev. Bonds, Due 1960-80
25,480,000	PHILADELPHIA, PA.† Var. Rates Bonds, Due 1960-89
85,000,000	PORT OF NEW YORK AUTH.† Var. Rates Rev. Bonds, Due 1960-79 & 1989 (3 issues)
20,000,000	SALT RIVER PROJECT, ARIZ.† Var. Rates Bonds, Due 1960-92 (2 issues)
13,025,000	VERMONT, STATE OF† 3⅛% Bonds, Due 1960-79
9,875,000	WASHINGTON, STATE OF† Var. Rates Rev. Bonds, Due 1960-77
226,906,000	ADDITIONAL TAX-EXEMPT BONDS—(117 issues)

Amount of Issue	*Corporate*	Underwriting Interest
$15,000,000	BOSTON EDISON COMPANY First Mtge. Bonds, Series G, 5¼% Due 1989	$ 3,400,000
5,100,000	CHESAPEAKE AND OHIO RAILWAY Equip. Trusts, 4½% & 4⅝% Ctfs., Due 1960-74	2,850,000
5,130,000	CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD Equip. Trust, Series U, 4⅛% Ctfs., Due 1959-74	1,980,000
25,000,000	COLUMBIA GAS SYSTEM, INC. 5⅜% Debentures, Series N Due 1984	2,900,000
25,000,000	FLORIDA POWER & LIGHT COMPANY First Mtge. Bonds, 5% Series due 1989	6,100,000
18,000,000	GEORGIA POWER COMPANY First Mtge. Bonds, 5¾% Series due 1989	3,350,000
20,000,000	INDIANA & MICHIGAN ELECTRIC COMPANY First Mtge. Bonds, 4¾% Series, due 1988	9,450,000
8,000,000	JERSEY CENTRAL POWER & LIGHT COMPANY First Mtge. Bonds, 5¼% Series due 1989	2,800,000
7,320,000	LOUISVILLE AND NASHVILLE RAILROAD Equip. Trust, Series U, 4½% Ctfs., Due 1960-74	2,670,000
30,000,000	MICHIGAN BELL TELEPHONE COMPANY 35 Year 4⅞% Debentures, Due August 1, 1994	3,700,000
5,000,000	MISSISSIPPI POWER COMPANY First Mtge. Bonds, 5⅛% Series due 1989	1,450,000
15,000,000	MONTANA POWER COMPANY First Mtge. Bonds, 4½% Series due 1989	2,350,000
20,000,000	NATURAL GAS PIPELINE COMPANY OF AMERICA† First Mtge. Pipeline Bonds, 4⅝% Series due 1979	1,590,000
45,000,000	NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY 35 Year 5¾% Debentures, Due Sept. 1, 1994	7,200,000
7,350,000	NORFOLK AND WESTERN RAILWAY Equip. Trust, Series G, 4⅛% Ctfs., Due 1959-74	3,600,000
20,000,000	NORTHERN ILLINOIS GAS COMPANY First Mtge. Bonds, 5% Series due June 1, 1984	3,200,000
25,000,000	NORTHERN INDIANA PUBLIC SERVICE COMPANY First Mtge. Bonds, Series J, 4½% Due 1989	4,300,000
10,755,000	NORTHERN PACIFIC RAILWAY Equip. Trusts, 4⅜% & 4¾% Ctfs., Due 1960-74	5,055,000
30,000,000	OHIO EDISON COMPANY First Mtge. Bonds, 4½% Series of 1959 due 1989	6,000,000
25,000,000	OHIO POWER COMPANY First Mtge. Bonds, 4⅝% Series due 1989	5,350,000
20,000,000	PUBLIC SERVICE COMPANY OF COLORADO First Mtge. Bonds, 4⅝% Series due 1989	5,400,000
8,000,000	PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE First Mtge. Bonds, Series K, 5⅛% due 1989	4,700,000
20,000,000	PUGET SOUND POWER & LIGHT COMPANY† First Mtge. Bonds, 5½% Series due 1989	4,700,000
12,000,000	ROCHESTER GAS AND ELECTRIC CORPORATION First Mtge. 5% Bonds, due 1989, Series S	2,650,000
70,000,000	SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY 35 Year 5½% Debentures, Due 1994	3,850,000
12,000,000	SOUTHERN PACIFIC COMPANY Equip. Trusts, 4⅜% & 4¾% Ctfs., Due 1960-74	4,050,000
25,000,000	SYLVANIA ELECTRIC PRODUCTS INC.† 5½% Sinking Fund Debentures, due 1984	2,265,000
50,000,000	TENNESSEE GAS TRANSMISSION COMPANY† First Mtge. Pipeline Bonds, 5¼% Series due 1979	2,770,000
6,100,000	UNION LIGHT, HEAT AND POWER COMPANY First Mtge. Bonds, 5% Series Due 1989	4,050,000
8,000,000	WISCONSIN PUBLIC SERVICE CORPORATION First Mtge. Bonds, Series due 1989, 5¼%	4,450,000
11,000,000	ADDITIONAL PUBLIC UTILITY BONDS (3 issues)	7,500,000
21,150,000	ADDITIONAL EQUIPMENT TRUST CERTIFICATES (6 issues)	13,575,000

Descriptive circulars or prospectuses, where available, and current quotations will be supplied for any of these securities upon request.

**To December 10, 1959* † *Issue headed jointly by Halsey, Stuart & Co. Inc. and others. All other issues were headed by Halsey, Stuart & Co. Inc. alone. Not included in these compilations are issues in which Halsey, Stuart & Co. Inc. participated only as a member of an account.*

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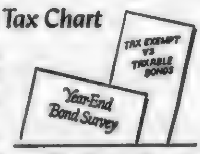

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About People

THOMAS FREEMAN WALLACE, former president and board chairman, Farmers and Mechanics Savings Bank of Minneapolis, died in November after having been a patient at Abbott Hospital since February 1952. MR. WALLACE was 1924-25 vice-president of the A.B.A. Savings Bank Division (now the Savings and Mortgage Division) and president of that division in 1925-26; he was also an Executive Council Member during both those years.

ARTHUR AUSTIN, ERNEST R. DICKSON, EDGAR C. GEIGER, KENNETH A. SOUTHWORTH, RICHARD B. TUTTLE, JR., all become vice-presidents at The Bank of New York, N. Y.; JAMES J. CLINCH, from assistant treasurer to treasurer.

J. JOSEPH MAY, JOHN S. MCCLURE, FREDERICK DEANE, JR., all vice-presidents, become senior vice-presidents at The Bank of Virginia, Richmond.

Chess Players! You Too Can "People-to-People"

CHESSPLAYERS of the American financial community are invited and urged to contact Jacques Coe, vice-president and chairman of the Wall Street Committee of the American Chess Foundation.

In cooperation with President Eisenhower's People-to-People Program, and in an effort to make more widely known the interests and capacities of the American business world, the Foundation wants to develop more chess play in the financial districts of the country and to arrange for teams to participate in tournaments with players from the financial centers of Western Europe. To learn more about these plans, or to be in touch with chess-playing circles, contact Jacques Coe & Co., 39 Broadway, N. Y. 6, N. Y.

Three new partners announced at Brown Brothers Harriman & Co., New York City: FRANK W. HOCH, who joined the firm in 1947 and has been a manager since 1956; R. L. IRELAND, III, who has been a Chemical Bank New York Trust Co. vice-president; and LESTER J. NEWQUIST, who joined the firm in 1936 and has been a manager since 1953.

ALBERT WAGENFUEHR, senior vice-president, First National Bank in St. Louis, Mo., retires. MR. WAGENFUEHR was active in the A.B.A.

New assistant vice-presidents at Security First National Bank in Los Angeles, Calif., are JAMES L. NAUMAN; RICHARD W. PERSHING; EUGENE R. JOHNSON; ULRICH L. NEELY.

Rear Admiral LEROY C. SIMPLER, USN (ret.) becomes public relations officer, First National Bank in Milton, Fla.

JAMES P. HICKOK, president, First National Bank in St. Louis, Mo., is named Missouri state chairman of the 1960 Crusade for Freedom.

WILLIAM M. MCNABB, from executive vice-president, and manager of the San Francisco main office of First Western Bank and Trust Company to vice-president, The Hongkong and Shanghai Banking Corporation of California.

LLOYD D. BRACE, board chairman of First National Bank of Boston, Mass., becomes board member and finance committee member of General Motors Corporation.

JOHN E. CRANE, from financial vice-president, Home Life Insurance Company, to vice-president, First National City Trust Company, New York.

I.B.A. Elects New President

Burton R. Kirchner, *left*, vice-president, First National Bank, San Rafael, who was 1959 president of the Independent Bankers Association of Northern California, congratulates the association's incoming president, Al E. Miguel, vice-president, Pajaro Valley Bank, Watsonville. Officers were elected and installed at the association's annual meeting in Meadow Club, San Rafael

EUGENE B. MAPEL, from assistant vice-president to vice-president, Chase Manhattan Bank, New York.

ALAN H. TEMPLE, board vice-chairman, First National City Bank of New York, becomes Monsanto Chemical Co. (St. Louis, Mo.) director.

J. WARREN ZIEGLER, senior vice-president, Montgomery County Bank and Trust Company, Norristown, Pa., retires after 43 years.

WILLIAM L. TILLER, vice-president, from cashier to comptroller, The Bank of Virginia, Richmond; ROBERT J. QUARLES, from assistant vice-president to cashier; WILLIAM H. FLOWERS becomes assistant cashier.

PETER J. MURRAY, board chairman, Universal Time Plan, Inc., joins

street

Compiled by Marguerite Beck of BANKING'S *staff*

board of directors, Security National Bank of Long Island, Amityville, N. Y.

JOHN A. LLOYD, president, Union Central Life Insurance Company, joins board, Central Trust Company, Cincinnati, Ohio.

J. NOLAN STOCKTON, assistant vice-president, becomes vice-president, Crocker-Anglo National Bank, San Francisco.

FRED E. HILGEMAN becomes vice-president, United States Trust Company of New York; ELMER WITTING and ROBERT E. POWERS become assistant secretaries.

HENRI Z. LAKE becomes vice-president in charge of personal trust department, Manufacturers Trust Company, New York, N. Y.

J. STEVENSON PECK, JR., and MILES WHITE, III., from assistant vice-presidents to vice-presidents, Union Trust Comapny of Maryland, Baltimore.

ROBERT L. JORDAN, retired executive, International Shoe Company, becomes board chairman, Guaranty Trust Company of Missouri, Clayton; ROBERT A. BLACK, retired executive, International Shoe, becomes the bank's president; ARTHUR STOCKSTROM, retired chairman, Magic Chef, Inc., joins Guaranty Trust board, as does Col. DANIEL H. HUNDLEY, U. S. Army (ret.), Associate Professor, Washington University.

GEORGE D. EVERETT becomes board chairman, The Merrill Trust Company, Bangor, Me.; JOHN F. GRANT goes from executive vice-president to president.

J. FORBES CAMPBELL, director of publications and information for Federal Deposit Insurance Corporation, Washington, D. C., dies after illness. MR. CAMPBELL joined FDIC at its inception in 1933.

RICHARD G. IVEY, Q.C., a Bank of Montreal director, is named vice-president. LOUIS L. LANG, vice-president and director, retires.

B. GLEN JORDAN, HAROLD OXSPRING, become vice-presidents, Bank of the Southwest, Houston, Tex.; FRED A. CRAIN, JR., JOHN H. HARGON, JOE G. PENNINGTON, KENNETH R. TERRY, become assistant vice-presidents.

J. D. ALEXANDER becomes vice-president, Bank of America, San Leandro, Calif.

From Bounty to Suribachi

ARTHUR BELL, auditing department inspector at First National Bank of Boston, Mass., proudly displays two of his 1,600 autographs of the world-famous. Few entertainers and athletes are in his collection—he prefers to collect the signatures of those who "shape the times" or gain fame by performing or participating in a "famous first."

On his left, MR. BELL holds a copy of the famed picture of the United States Marines raising the flag atop Mt. Suribachi, Iwo Jima, on February 23, 1945. Photographer Joe Rosenthal autographed a print of his shot which won the 1945 Pulitzer Prize for a news photograph. At his right hand is the autograph and photograph of Parkin Christian, great-great-grandson of Fletcher Christian, reading the Bible from the "Bounty" of *Mutiny on the Bounty* fame. MR. BELL's collection ranges from Nehru through Picasso, and includes a signed letter from English Postmaster General Charles Hill explaining why he couldn't possibly send his autograph.

A tip from MR. BELL to would-be collectors: during an election year, write to politicians—chances are you'll get a picture back, too.

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Time *Tells the Story of Henry Alexander*

H. C. Alexander

TOWARD the end of last year, a face familiar to most bankers appeared on the cover of one of the nation's leading news magazines. News in himself, HENRY ALEXANDER'S visage and story keynoted 15 columns of precious space in *Time* magazine devoted to observations on "the new type of banker," opinions on money conditions today, and the tale of how the House of Morgan grew.

Son of a grain and feed merchant in Murfreesboro, Tenn., HENRY CLAY ALEXANDER worked his way through Vanderbilt University, saved enough to go to Yale Law School, says *Time*. A partner in the Manhattan law firm of Davis, Polk, Wardwell, Gardner and Reed at age 32, he was one day sent to explain a legal problem to the younger J. P. Morgan. He was assigned as counsel to work for Morgan in Congressional investigations, and on Christmas Eve 1938 was summoned and offered a partnership in the bank. At age 36, HENRY ALEXANDER became a Morgan partner.

Now chairman of Morgan Guaranty Trust Company, after last year's headline-making merger, HENRY ALEXANDER—the "new type of banker"—is his bank's chief "bird dog." He is top man of the 70 at Morgan Guaranty who spend their time in flushing out the big bank customer and in helping the big customer grow still bigger—an important part of his bank's job, according to this banker. And, says this chairman: "We don't want to be just another big bank. We want to be a special kind of bank, where all the expertness that American business wants can be found."

WILLIAM R. HEINS, for many years head of commercial loan division of Associates Investment Company of South Bend, Ind., becomes vice-president, Security First National Bank, Los Angeles.

L. E. GILBERT, from executive vice-president, Northwestern Mortgage Company, to vice-president, Northwestern National Bank, Minneapolis, Minn.

EDWIN A. HEARD, from assistant vice-president to vice-president, Irving Trust Company, New York.

WILLIAM L. BUTCHER, from president to board chairman, County Trust Company, White Plains, N. Y., succeeding DR. JOSEPH E. HUGHES, who having reached age 65, retires. JOHN A. KLEY, from executive vice-president to president.

JOSEPH VALENTI, from vice-president to senior vice-president, Cosmopolitan National Bank of Chicago, Ill. ROBERT FINCH becomes assistant cashier. DUDLEY YATABE becomes deputy comptroller.

GEORGE H. BROWN, JR., from executive vice-president to president and chief executive officer, Girard Trust Corn Exchange Bank, Philadelphia, Pa., succeeding GEOFFREY S. SMITH, who now becomes board chairman; JAMES E. GOWEN, from board chairman to chairman of the executive committee; GEORGE R. CLARK, senior vice-president, becomes vice-chairman of the board.

WALTER BRAUNSCHWEIGER, executive vice-president, Bank of America N.T. & S.A., Los Angeles, retires.

D. J. GILES, A. E. SCOTT, from assistant vice-president to vice-president, Bankers Trust Company, New York.

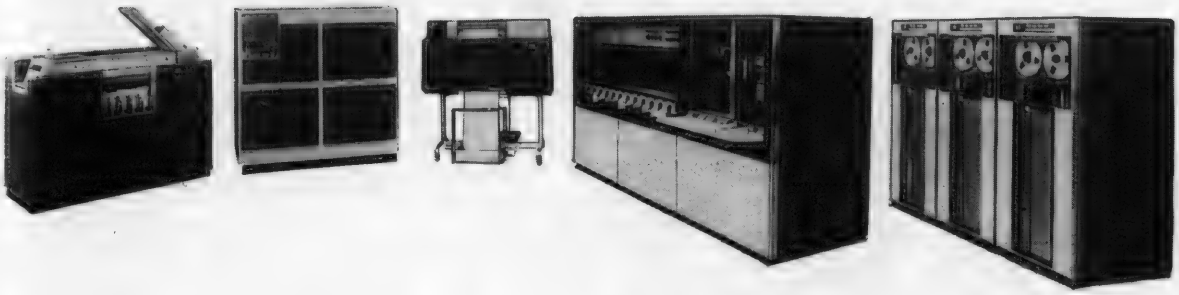
WILLIAM D. F. MORRISSON, from vice-president, Rhode Island Hospital Trust Company, to president, Avica Corporation, Middletown, R. I.

EDWARD M. CARSON becomes vice-president, First National Bank of Arizona, Phoenix; GEORGE L. CONRAD and A. VICK SWANSON become assistant vice-presidents.

JOHN F. INGRAM, JR., becomes vice-president, Citizens & Southern Bank of Atlanta, Ga.; C. HOMER FULLER becomes assistant vice-president;

(CONTINUED ON PAGE 20)

New, low-cost total system for banks now gives you fully automatic processing of paper documents...IBM 1401-1210



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RAND McNALLY

main street (cont'd)

JAMES H. HAMILTON, JR., M. H. PLANT, become assistant cashiers.

HARVEY V. DELAPENA and LUIS AGUIRRE EDWARDS, both vice-presidents, become senior vice-presidents, Grace National Bank of New York, N. Y. HENRY E. BERGMANN, ALBERT C. VERNON, ROBERT J. KURAU, all become vice-presidents.

ROY W. KIDD, GEORGE MOFFAT, from assistant vice-president to vice-president, First National Bank of Memphis, Tenn.

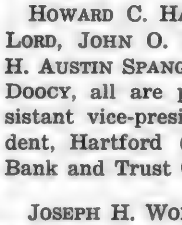
MYNOR A. KIBBY, from assistant vice-president, First National Bank of Nevada, Reno, to senior vice-president, newly-organized Nevada State Bank, Las Vegas.

LORING L. GELBACH is re-elected president of Central National Bank of Cleveland, Ohio, following resignation of BEN F. HOPKINS, JR. Mr. Gelbach was president of the bank prior to the January 1959 election of Mr. Hopkins. Mr. Hopkins has been on leave of absence due to ill health.

HOWARD C. HAVENS, CHARLES E. LORD, JOHN O. BROTHERHOOD, JR., H. AUSTIN SPANG, and FREDERICK J. DOOCY, all are promoted from assistant vice-president to vice-president, Hartford (Conn.) National Bank and Trust Company.

JOSEPH H. WOLFE leaves his post as deputy manager and secretary of the Trust Division of the American Bankers Association to become a vice-president and trust officer of The Merchants National Bank of Boston.

Executive secretary of the North Carolina Bankers Association in 1950, Mr. WOLFE joined the A.B.A. in 1953. He has been editor of *The Trust Bulletin* and director of the National Trust School.



Joseph H. Wolfe

Eugene C. Zorn

EUGENE C. ZORN, JR., first affiliated with the American Bankers Association in 1939, will relinquish his posts as Director of Research and Deputy Manger of the Association to join Republic National Bank of Dallas as vice-president and economist on March 15.

In addition to serving as adviser on economic, legislative and other matters to various officers and units of the Association, MR. ZORN has had primary staff responsibility for several Association groups: The Committee on Government Borrowing, which he served as secretary; the Advisory Committee on Special Activities; the Research Council; the Committee on Credit Unions; and, among others, the Commercial Banking and Monograph Committee.

J. O. ELMER, from vice-president to senior vice-president, American Trust Company, San Francisco, Calif.

M. W. DILLARD, from assistant vice - president to vice - president, Fourth National Bank, Columbus, Ga.; ARNOLD L. SMITH becomes assistant trust officer.

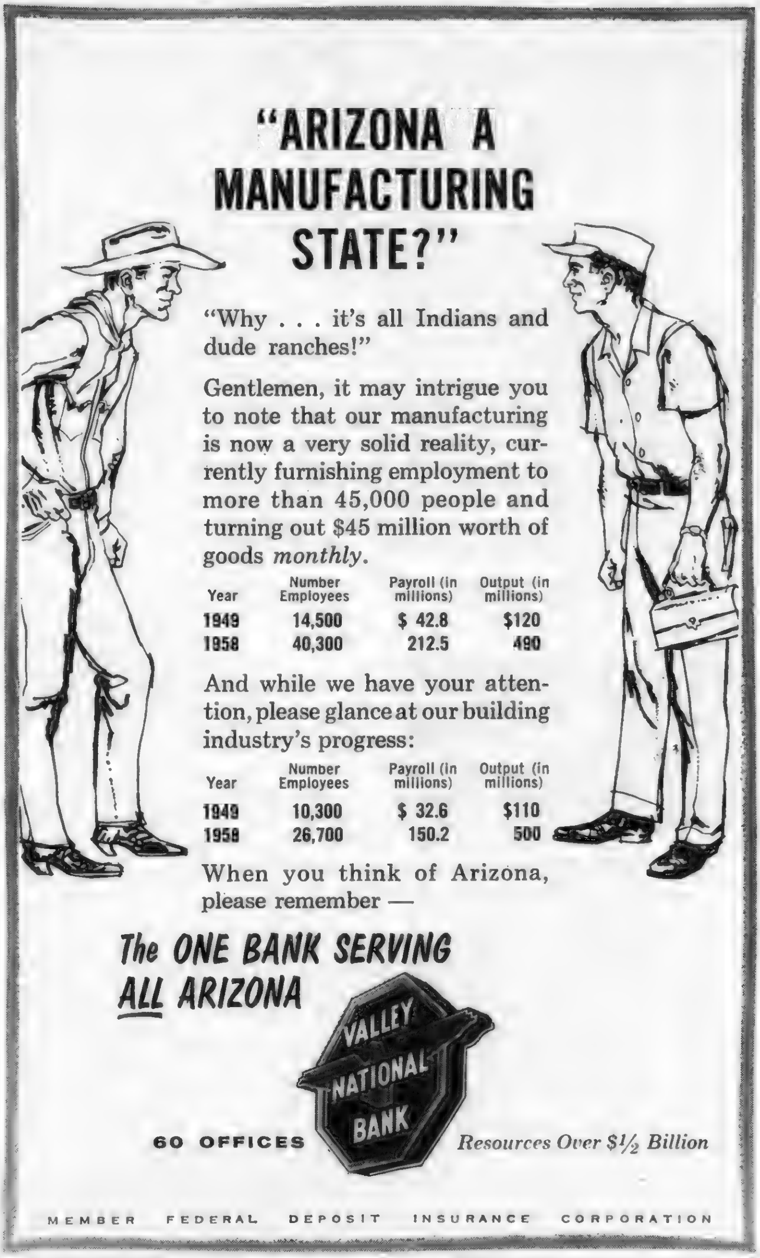
JAMES C. WAIDE, trust officer, becomes vice-president at Long Island Trust Company, Garden City, N. Y.

GEORGE F. MYERS becomes president of Lemoyne (Pa.) Trust Company, succeeding his father, JOHN E. MYERS, who had held that office for 16 years and now becomes board chairman. STANLEY R. NEIDHAMMER, trust officer, becomes vice-president; WILLIAM H. GOODYEAR becomes assistant vice - president; PAUL M. RITTER becomes assistant secretary.

WILLIAM A. CUSTARD, age 24, from assistant vice-president to vice-president, Empire State Bank of Dallas, Tex.

DOUGLAS E. MCALLISTER becomes vice-president, South Dade (Fla.) Farmers Bank.

(CONTINUED ON PAGE 22)



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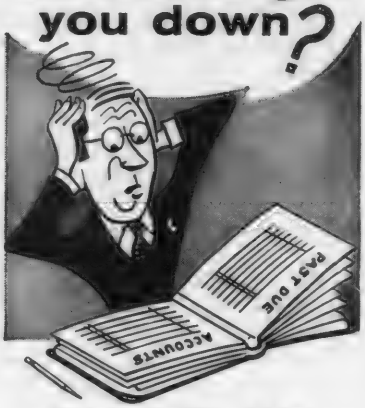

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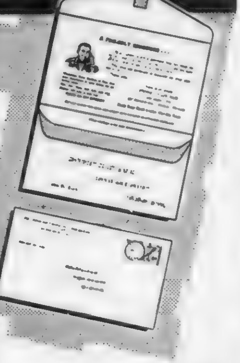

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main street (cont'd)

EDWARD L. WINKLER and JOHN VUCH, JR., both assistant vice-presidents, become vice-presidents at First National Bank in St. Louis, Mo.

JOHN S. BROWN and ROBERT R. FERGUSON, JR., both assistant vice-presidents, become vice-presidents at National State Bank of Newark, N. J.

HARRY L. BECK becomes vice-president, Clayton (Mo.) Bank; ORVILLE B. CURTIS becomes cashier.

KENNETH E. CAMPBELL, from assistant vice-president to vice-president, Bank of America, San Francisco.

L. O. IVEY, board chairman, Citizens National Bank, Los Angeles, Calif., retires after 57 years with the bank.

STANLEY M. HOGSHEAD becomes vice-president, First Western Bank and Trust Company, San Francisco, Calif.

JAMES STEWART retires as board chairman, The Canadian Bank of Commerce, Toronto; N. J. MCKINNON, president, also becomes chairman.

WALTER L. JACKSON becomes vice-president at Citizens and Southern National Bank in Atlanta, Ga.; CHARLES H. CHAPPAS becomes assistant vice-president; EDWARD A. GEORGE and THOMAS J. MONROE become trust officers.

CHARLES E. TURNER becomes vice-president, Federal Reserve Bank of Boston, Mass.; WALLACE DICKSON, LORING C. NYE, G. GORDON WATTS, all become assistant vice-presidents.

THOMAS L. RALPH, from vice-president to senior vice-president, Fidelity-Philadelphia (Pa.) Trust Company; FREDERICK C. ELKINS, WESLEY H. QUIGLEY, from assistant vice-presidents to vice-presidents. BROOKS LAUGHLIN, CLARENCE B. GELDART, WILLIAM W. ALLEN, III, J. STONE BAGBY, all become assistant vice-presidents.

A. RAYMOND BETTS, senior vice-president, The Connecticut Bank and Trust Company, Hartford, retires after 28 years with that bank.

LELAND H. JOHNSON, assistant manager of the Portland, Ore. office of The Bank of California, N. A., becomes vice-president.

MORTON W. KIGER, from assistant vice-president to vice-president, Security First National Bank, Los Angeles, Calif.

ROGER C. DAMON, president and executive committee chairman, First National Bank of Boston, becomes Raytheon Company director.

Blossoms Bedeck Evansville Tribute

A blooming bank was one of the many floral tributes sent Citizens National Bank when it opened its new multi-million dollar banking home in Evansville, Ind. Admiring the bank of flowers are, *left to right*, Carl H. Yeager, Citizens vice-president; John L. Schaffer, secretary, Indiana Trust and Savings Bank, a Citizens correspondent; and M. B. Bischoff, a Citizens assistant vice-president

A. Murray Preston, senior partner in law firm of Craighill, Aiello and Preston, becomes vice-president, American Security and Trust Company, Washington, D. C.

Kempton Dunn, president, American Brake Shoe Company, joins board of Bankers Trust Company, New York.

Trust officers Horace W. Davis, II, William B. Hall, Richard T. Jones, Raynham Townshend, Jr., and assistant vice-presidents Sidney W. Noyes, Jr., and Robert A. Pratt, all become vice-presidents at The Union and New Haven Trust Company, Conn.

Charles J. Lennox and Harvey H. Mitchell both become assistant vice-presidents at the New Jersey Bank and Trust Company, Passaic County, N. J.

George C. Osen, assistant vice-president, becomes vice-president at The American National Bank of St. Paul, Minn.; Donald H. Johnson, Owen H. Froehle, Carl E. Lind and William T. Price, all become assistant vice-presidents.

The Bryn Mawr Trust Company, Philadelphia, Pa.: Robert R. Rudloff becomes assistant treasurer; John A. Carr, Harold L. Reiss both become assistant vice-presidents.

Joseph S. Brown, Robert R. Ferguson, Jr., both become vice-presidents at National State Bank of Newark, N. J.

Roland A. Mewhort, board member, goes from senior vice-president to executive vice-president, Manufacturers National Bank of Detriot, Mich. S. Francis Mahoney, second vice - president becomes vice - president; Ralph D. Bachman, second vice-president becomes comptroller; Harry G. Dlouhy, assistant cashier becomes assistant comptroller.

Ruth F. Irish and George R. Force both become assistant vice-presidents at Union Dime Savings Bank, New York.

Harold T. Patterson becomes first vice-president and general counsel at Federal Reserve Bank of Atlanta, Ga.

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L. M. CLARK, first vice-president, Federal Reserve Bank of Atlanta, Ga., retires after 41 years of service.

FREDERICK J. TESCHKE, from executive vice-president to president, Bank of Dade County, North Miami Beach, Fla.

ARTHUR R. HORNE, cashier, also becomes vice-president, Union Bank, Los Angeles; JACK F. GROVER, from assistant vice-president to vice-president.

JOHN A. HOOPER becomes vice-president, The Chase Manhattan Bank, New York; THOMAS D. HILL, JR., PAUL S. MARSLAND, and THOMAS E. RIVERS, JR., all become assistant vice-presidents.

RUFUS R. JEFFRIS, vice-president, Harris Trust and Savings Bank, Chicago, Ill., retires.

T. IRVING HOWE, EDWARD D. MCCARRON, CHARLES J. WEBER, JR., and ERWIN WEBER, all become vice-presidents at Provident Tradesmens Bank and Trust Company, Philadelphia, Pa.

S. LLOYD NEMEYER, president and board member of Milwaukee Gas Light Company, becomes board member of Marine National Exchange Bank, Milwaukee, Wis.

C. HAROLD NICOLAUS, director and executive committee member, also becomes vice-president, Marine Corporation, Milwaukee, Wis.

TILDEN CUMMINGS, DONALD M. GRAHAM, BOYD J. SIMMONS, all vice-presidents, become senior vice-presidents, Continental Illinois Trust Company, Chicago 90, Ill.

E. DONALD STUCK, trust officer, also becomes vice-president at Jenkintown (Pa.) Bank and Trust Company; WILLIAM DAVID WEBB becomes assistant vice-president.

ROLLAND H. NEESE, from executive vice-president to president, Union Bank and Trust Company, Franklin, Ind., succeeding the late HARRY C. HOUGHAM. RUSSELL YOUNT becomes board chairman.

ROBERT T. HANLON becomes vice-president at La Salle National Bank, Chicago, Ill. MAX ROY and JOHN C. MCLEOD both become assistant vice-presidents.

WALTER L. CRAIG, JR., becomes vice-president, Fidelity Philadelphia (Pa.) Trust Company, succeeding WILLIAM A. SULLIVAN, who retires.

W. W. MICHAELS and O. H. ORMAN, both vice-presidents, become senior vice-presidents at First National Bank and Trust Company, Tulsa, Okla.; J. S. BOYD, from assistant vice-president to vice-president. W. L. MORRIS, A. D. MCCALL, NELL BLACK, O. H. CHADWICK, and trust officers, J. R. MEREDITH and L. S. RUSH become assistant vice-presidents.

FRANCIS D. NASH becomes assistant vice-president at First Western Bank and Trust Company, San Francisco, Calif.

A.I.B. Chapter Notes

Jacksonville Starts Lively Season

A SPARKLING holiday ball highlighted a snowballing program of activities for the Jacksonville (Fla.) Chapter of the American Institute of Banking. With a banquet, a fashion show and dessert party, and much food for thought in the form of A.I.B. courses already under their belts, Jacksonville A.I.B.ers have a debate, a chapter-sponsored high school tour of a Federal Reserve Bank, and the group's first seminar coming up. President is Julia Green Berrier of Florida National Bank.

State Association President 1960

ARIZONA: Robert W. Heyer, executive vice-president, Southern Arizona Bank and Trust Company, Tucson

ALFRED G. KAHN, chairman and chief executive officer, Union Trust Company, Little Rock, Ark., retires after 52 years with that bank. He retains his directorates, committee memberships and offices on the premises.

C. OTIS FLINT, from vice-president and Los Angeles regional officer of the Employer's Group of Insurance Companies, Boston, to vice-president, First Western Bank and Trust Company, San Francisco, Calif.

EARL E. T. SMITH, former ambassador to Cuba, member of the New York Stock Exchange and a director of the New York Central Railroad, joins the board of Bank of Palm Beach (Fla.) and Trust Company.

J. H. COLEMAN becomes General Inspector of Royal Bank of Canada, Toronto.

HOWARD D. CROSSE becomes vice-president at Federal Reserve Bank of New York.

ROBERT C. DROUET, NORMAN L. GUNN, both assistant cashiers, become assistant vice-presidents, Rapides Bank and Trust Company, Alexandria, La. J. WILLARD PRICE becomes assistant cashier.

CROCKER NEVIN, FRANK F. STETSON, WALTER A. STOECKER, all assistant vice-presidents, become vice-presidents at The Marine Midland Trust Company of New York. VERNON E. COLLINS, EUGENE J. MAHONEY, ROBERT T. SCHNEIDER and ANTHONY SPERO, all former assistant treasurers, become assistant vice-presidents.

(CONTINUED ON PAGE 26)

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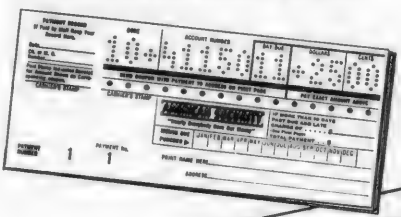

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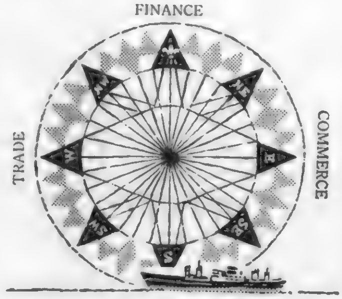

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FRANCIS H. BEAM, president, National City Bank of Cleveland, Ohio, becomes board chairman and chief executive officer, succeeding SIDNEY B. CONGDON, who has reached mandatory retirement age. JOHN S. FANGBONER goes from first vice-president to president; ROBERT B. BLYTH, from senior vice-president to first vice-president.

WILLIAM S. DILLON and JOHN N. STERN, both assistant vice-presidents, become vice-presidents at American National Bank and Trust Company of Chicago; WALTER C. RUNDIN, JR., CHARLES L. GARRY, JACK P. KATZ, GEORGE E. JACOBSMEYER, MILAN HIBEN and JOHN H. BALDAUF all become assistant vice-presidents.

About Banks

FIRST STATE BANK of ROSEMEAD, Calif., becomes FIRST CITY BANK.

UNITED STATES NATIONAL BANK OF SAN DIEGO opens Chula Vista office.

Supervisors Association Elects 1960 President

Irving C. Rasmussen, Minnesota Commissioner of Banks, was elected president of the National Association of Supervisors of State Banks at the association's convention in late 1959

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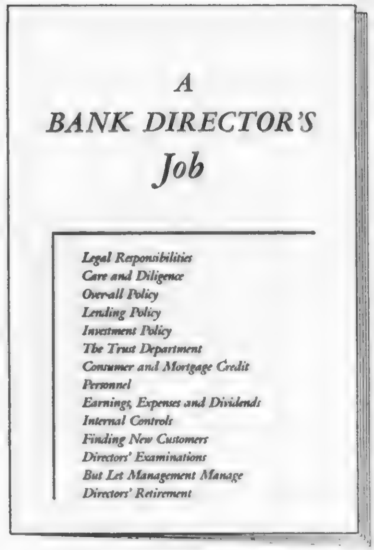

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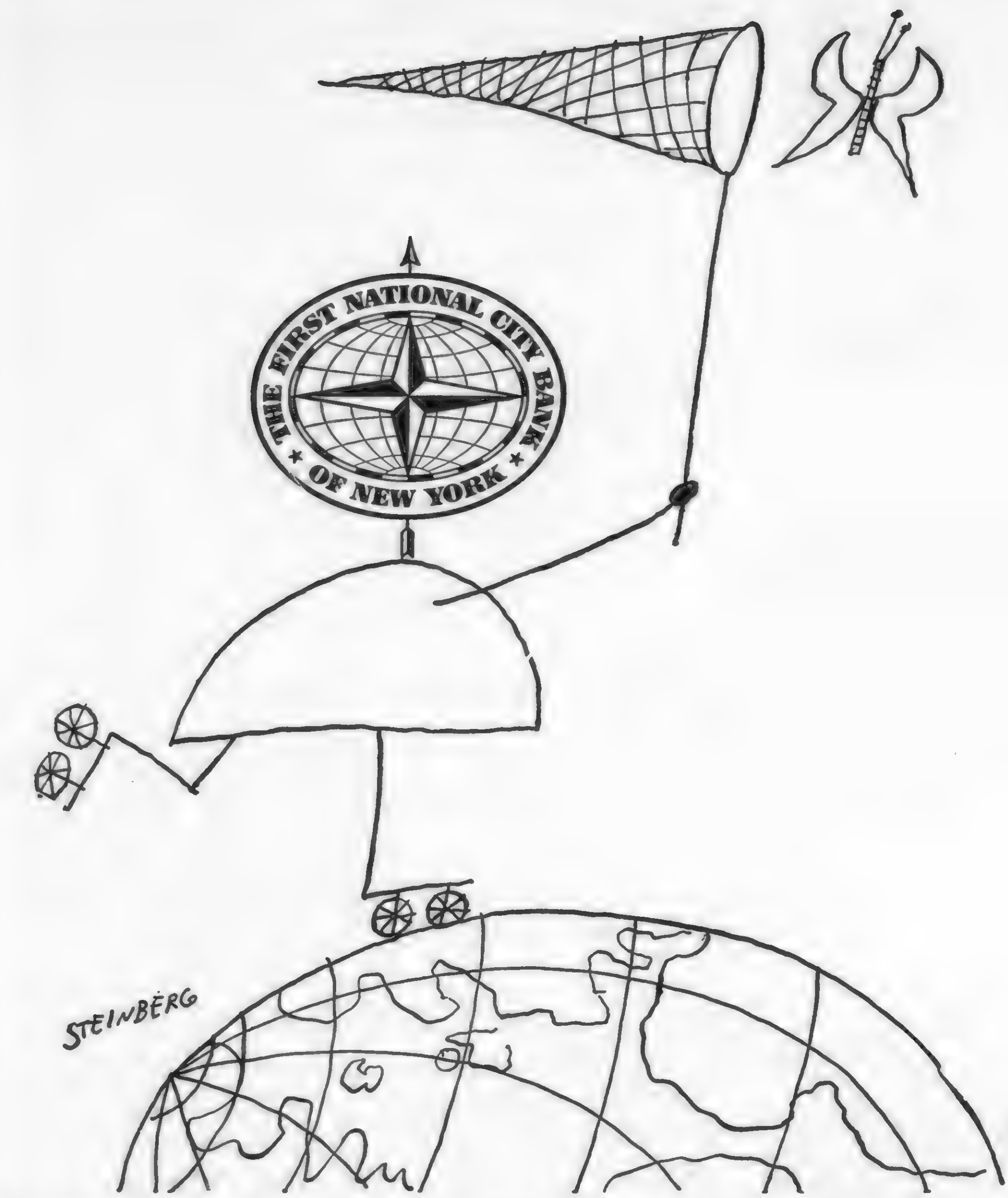

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FIRST NATIONAL CITY BANK OF NEW YORK opens new quarters for its East Midtown branch.

CANAL NATIONAL BANK OF PORTLAND and YORK NATIONAL BANK OF SACO, Maine, consolidate under name of CANAL NATIONAL BANK.

VNB plants prize-winning "urban court." One of the American Association of Nurserymen's 10 top national awards for industrial landscaping has been given to VALLEY NATIONAL BANK for its landscaped parking lot at Scottsdale, Ariz. Adjacent to a balconied, parapetted, L-shaped VNB branch, the parking-lot-turned-public-park is dotted with shade-trees with benches constructed around them; a brick wall frames a lawn, fountains, shrubbery, and flowers; annuals are planted in compact beds, and out-of-season "color" blooms in flower pots.

FIRST NATIONAL BANK OF NEVADA opens newly-enlarged quarters for its Sparks and its South Virginia offices.

MANUFACTURERS TRUST COMPANY, New York, opens a representative office in Paris.

BANK OF WHITTIER, CALIF., and THE FIRST NATIONAL BANK OF VERNON, both merge into CITIZENS NATIONAL BANK, Los Angeles, Calif.

FIRST PENNSYLVANIA BANKING AND TRUST COMPANY opens its new Springfield, Pa., office.

THE SUBURBAN BANK, Richmond, Va., starts on new Beverly Hills office.

MANUFACTURERS NATIONAL BANK of TROY, N. Y., opens North Country Shopping Center branch in Plattsburgh.

LAKE CHAMPLAIN NATIONAL BANK of WESTPORT, New York and ESSEX COUNTY NATIONAL BANK OF WILLSBORO merge; new name: ESSEX COUNTY-CHAMPLAIN NATIONAL BANK, Willsboro.

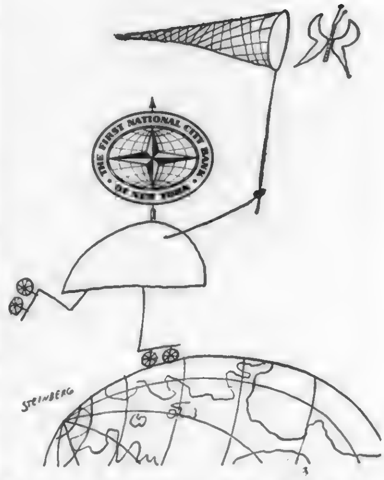
FULTON (MO.) NATIONAL BANK, organized last spring, opens in new 1-story building.

THE CITIZENS BANK, Hamilton, Ohio, opens new Twinbrook office.

FIRST NATIONAL BANK of LINCOLN, Nebr., starts extensive remodeling which should be completed in Spring.

Money Tree Deposited at New Member Bank

A little potted greenery always spruces up its surroundings. Here, depositor A. W. Garmes presents an $80 money tree to start his account at new A.B.A. member, Bank of Rolling Meadows, Ill. Joseph R. Frey, president of Lake Shore National Bank of Chicago and A.B.A. vice-president for Illinois, *left*, looks on admiringly as the tree is presented to the bank's president, Marshall T. Hewitt



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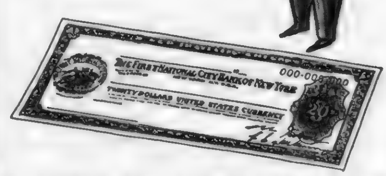
of the selling commission when you sell First National City Bank Travelers Checks

- Instantly acceptable everywhere
- Prompt refund service
- Advertised throughout the world

National advertising... plus free sales aids pre-sell your customers to buy First National City Bank Travelers Checks.



BACKED BY THE BANK THAT'S FIRST IN WORLD WIDE BANKING

Member Federal Deposit Insurance Corporation

"STEEL STRONG" IS THE NAME TO INSIST UPON IN

COIN HANDLING PRODUCTS

THE QUALITY IS SUPERIOR ...THE SERVICE GREATER

AUTOMATIC COIN WRAPPERS

... ARE SO ACCURATE MISTAKES ARE IMPOSSIBLE!

AMOUNT AND WINDOWS ALWAYS IN REGISTER

None other so accurate. They wrap all coins from 1c to $1.00 so accurately . . . made by a special machine that affords this unusual precision . . . any chance of error is eliminated! Patented Red Windows, revealing amount and denomination, afford "ease of visibility." They're unequalled by competition.

THIS IS AMERICA'S NO. 1 SELLER

'KWARTET' COIN WRAPPERS

A SUPERIOR HALF-SIZE WRAPPER

A single wrapper designed to wrap pennies, nickels, dimes and quarters in HALF SIZE packages. Tapered or gummed edge. Printed in 2 colors. Made of highest quality Kraft stock for greater strength.

RAINBOW COIN WRAPPERS

The Teller immediately identifies the denomination of contents by color of wrapper . . . red for pennies, blue for nickels, green for dimes, orange for quarters, yellow for halves, gray for dollars, prevent transposition. Indicia designated by figures. With tapered edges.

'DUZITALL' COIN WRAPPERS

Designed for West and Southwest, extra wide and strong, they fill the need in those sections where it is the practice to wrap $20.00 in halves instead of the customary $10.00. They wrap all standard quantities of coins in regular packages. In double size package for halves. With tapered edges. 1,000 to a box.

OLD STYLE COIN WRAPPERS

Made of Kraft stock that is 10% to 30% stronger, hence afford greater protection from breakage if packages are dropped or roughly handled. Indicia, figures and letters printed in standard colors for triple designation and greater speed in handling. With tapered or gummed edges.

QUALITY BILL STRAPS

COLORED BILL STRAPS

EXTRA STRONG, 66 lbs.

Also a favorite with Banks . . . extra strong . . . in 7 standardized colors for quick identification of package. They are 1½" wide affording ample space for marking and stamping. Colored Kraft prevents transposition.

FEDERAL BILL STRAPS

50 Lb. Tensile Strength

Made so extra strong of quality Kraft paper, they afford a breaking strength of 50 lbs. per sq. inch, hence they protect longer. Normal and reverse figures, with color for (12) denominations, revealing value of package regardless of the position.

BANDING STRAPS

Better Than Rubber Bands

They're ideal for packaging currency, deposit tickets, checks, etc. Much better than rubber bands as they will not break or deteriorate with age. Size of band, 10 in. x ⅜ in. Made of strong brown Kraft with gummed ends. Packed 1,000 to a carton.

TELLER'S MOISTENER

Speeds up Teller's counting and banding of currency. Moisture for finger tips, capillary pad for Bill Straps, in just the right amount of moisture. Made of plastic, in rich mahogany finish.

Sponge For Fingers. Pad For Bill Straps.

The C. L. DOWNEY CO.
HANNIBAL, MISSOURI

Send For FREE SAMPLES
Dept. A

FIRST PENNSYLVANIA BANKING AND TRUST COMPANY, Philadelphia, opens two new offices: Springfield and St. Davids.

CITIZENS & SOUTHERN BANK, Atlanta, Ga., moves into "country store" temporary home as construction for new Peachtree-Baker office gets under way. The 20′ x 60′ building is heated by a pot-bellied stove and sports a swinging gate which sets off a loud bell every time its key is turned to open the gate. Swivel-chaired officers sit at roll-top desks, and an exhibit from the Georgia gold fields of the 1830s is given prominence.

Newly-organized FIRST TRUST AND SAVINGS BANK, Glenview, Ill., breaks ground for its offices, set to open in early spring.

SCOTTSBLUFF (Neb.) NATIONAL BANK celebrates its 50th anniversary, publishes anniversary brochure.

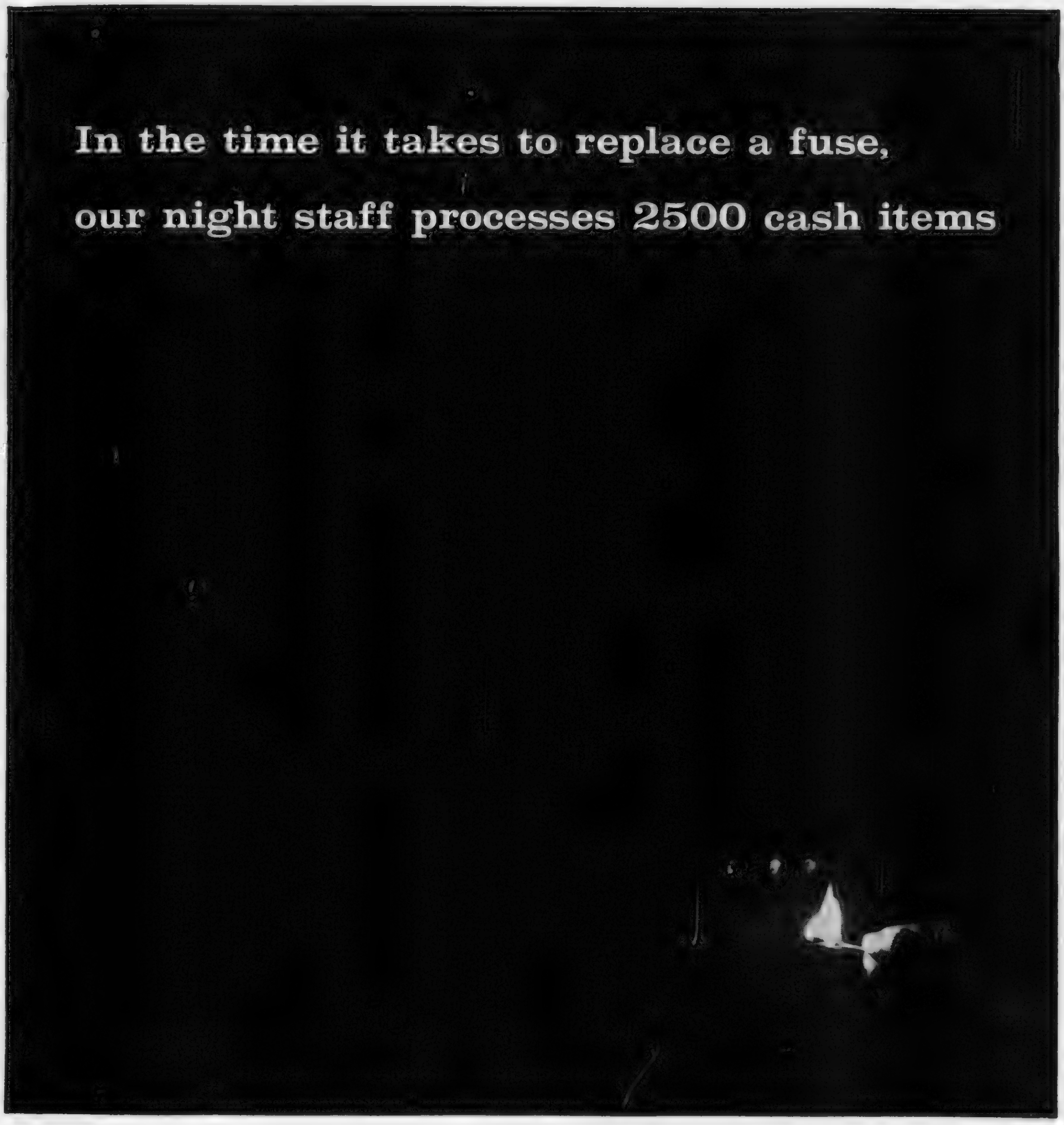
STATE BANK OF CEYLON, Minn., holds open house upon completing remodeling.

VALLEY NATIONAL BANK, Phoenix, Ariz., opens new Mayer-Central building.

(CONTINUED ON PAGE 114)

Investment Bankers Elect James Lee

James J. Lee, partner, W. E. Hutton & Co., New York was elected president of the Investment Bankers Association of America at their convention in Florida last month



Even if you had to grope in the dark with matches the chances are you could replace a burned out fuse in just about five minutes.

But whatever time of night it was, *our lights* would be burning brightly.

For all through the night, our staff is busy processing cash items. They speed items through at the rate of 500 per minute. That means that many of the checks mailed to us in the afternoon become available funds *the following morning.*

This valuable service by our night staff has won the Continental hundreds of enthusiastic correspondents from coast to coast.

If you would like to enjoy such important advantages, too, phone or write us today. We'll be happy to send you full details—or discuss it with you in your office.

CONTINENTAL ILLINOIS NATIONAL BANK
and Trust Company of Chicago
Lock Box H, Chicago 90

Member Federal Deposit Insurance Corporation

CHRISTMAS CLUB'S GOLDEN YEAR

50

1910 • 1960

IN 1910 an idea and a plan was offered to the banks and to the people. In the 50 years of its existence that idea has brought millions of people into banks and savings institutions. It has encouraged them to use the services and facilities of these institutions. It has shown them the road to financial security . . .

That idea and plan was Christmas Club.

Its beginning was modest and its progress gradual. On its second birthday it had been adopted by less than 100 small and medium sized banks and the average accumulation was only $18.50 per member. • Today, it is offered by more than 8,000 banks and savings institutions; thirteen million people use it yearly to accumulate more than a billion and a quarter dollars and it is offered by the largest as well as the smallest, banks and savings institutions. • Christmas Club has grown because it has produced business for banks and security for their customers. 72% of Christmas Club members have savings accounts, 54% have checking accounts; 29% are loan customers and 40% of the annual Christmas Club disbursement goes into permanent savings and investment. • The year 1960 marks a "Golden Anniversary" for Christmas Club. It represents the half century milestone in the progress of a basic idea combined with a plan that has been constantly improved, modified and adapted to changing conditions so that it has continued to bring more people and more business to the institutions using it. • Christmas Club a Corporation, the organization that originated the plan, gave it its name and promotes and maintains it to the public, is grateful for the confidence and support of the institutions it serves and invites them to join with it to make 1960 a "Golden Year" for the idea, the people and for all financial institutions that seek a broader range of public service and continuing growth.

Christmas Club
a Corporation

Founded by Herbert F. Rawll

230 Park Ave., New York 17, N. Y.

Builds Character • Builds Savings • Builds Business for Financial Institutions

BANKING

JANUARY 1960

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK and CONDITION OF BUSINESS

BUSINESS should be buoyant in the early months of this year.

Thereafter the curve will probably continue moderately upward because so many circumstances essential to that prospect are present.

Spending by business, consumers, and governments is rising, the steel and other labor settlements will be inflationary, and world trade activity is expanding. At least 6,000,000 workers in major industries are in line for wage boosts in 1960.

The public must surely be growing leery and weary of industrywide strikes and threats of such strikes. While it cannot be said that opinion is swinging against either labor or management or against collective bargaining, people are taking a hard look at the collective nonsense of featherbedding and its reckless waste of precious human resources.

Opinion is turning against the collective threat to our national welfare of endless bargaining between those who manage industries and those who would like to move into the driver's seat without commensurate responsibility. We are supposed to abhor dictators, but what political dictator any place has the power to suspend delivery of milk, stop shipping, stop elevator service, and stop production of essential goods and services of all kinds?

Everyone swears vigorous loyalty to the idea that there should be no wage increases without corresponding increases in productivity, but that's where agreement ends. Wages are something you can put in your pocket, while productivity floats around in an ocean of words and formulae.

Toward the threat of inflation, unfortunately, the public attitude is still an astonishing mixture of righteous opposition, apathy, and furtive affection.

Monetary Supply and Demand

In contrast to the prevailing mood of pleasant expectancy toward the general business outlook, the condition of money and credit is something to watch carefully. Now and for some time to come the question of demand and supply in this sensitive area will be a key factor in the immediate outlook and the longer possibilities of national growth.

Few doubt that the demand for credit is in an upward cycle, but there are many who expect this demand to outrun supply unless we find ways to expand the total volume of savings.

Tighter money is in prospect for the next few months, at least, and higher interest rates for some longer period.

This should stimulate savings and check inflationary borrowing and spending.

There was some slackening of demand for money because of the steel strike, but there is a new mood akin to a boom psychology apparent despite many labor squabbles in the offing. The Treasury is paying around 5% for money compared with interest rates ranging between 3% and 4½% in various kinds of savings institutions. This is a note on which to pause and think, because much depends on what action Congress takes on permitting the Treasury to sell its bonds at a marketable rate.

The "Foreseeable Future"

Perhaps pausing and thinking about monetary conditions is why so many normally venturesome year-end seers are limiting their optimism about the "foreseeable future" to the early months of the year.

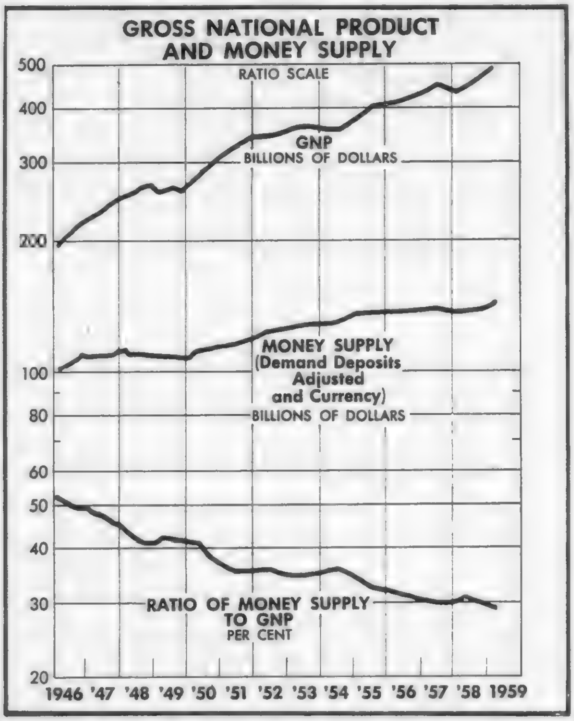
Expectations of a boomy first quarter or half are based mainly on the rising volumes of business spending for plants, equipment, and inventory. The brighter forecasts are often linked with a prediction that the second half will bring a reaction, not because of any developments meanwhile but because movements that are too fast in one direction usually bring opposite reactions.

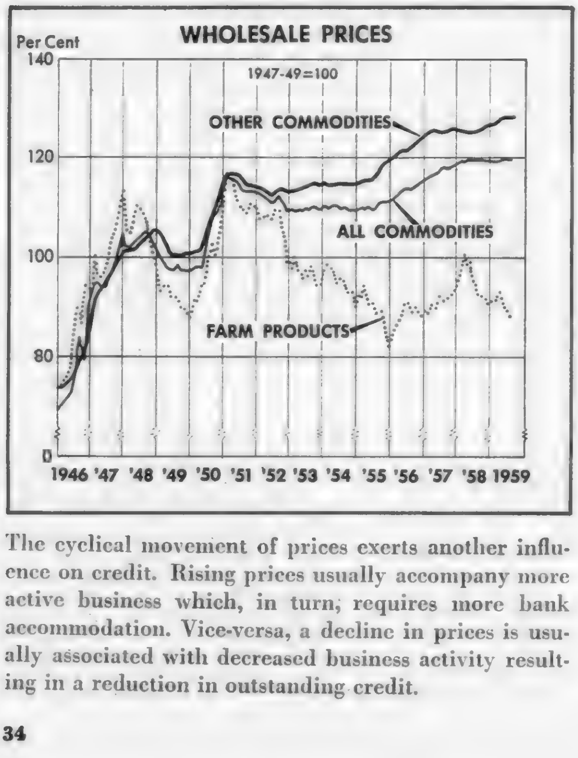
Credit Demand

The majority of bankers agree that the first six months of 1960 will show a steady to slight increase over present levels for all commercial loans. This means a rather substantial increase over the corresponding period in 1959. Loans to sales finance com-

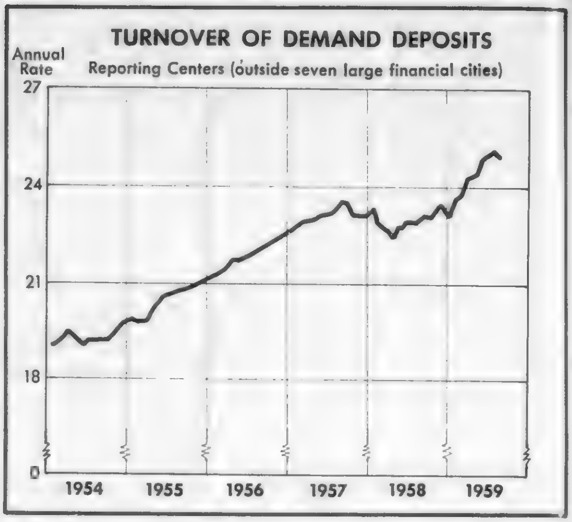
The Condition of Money and Credit

SOURCES: Board of Governors of the Federal Reserve System; Department of Labor; Department of Commerce

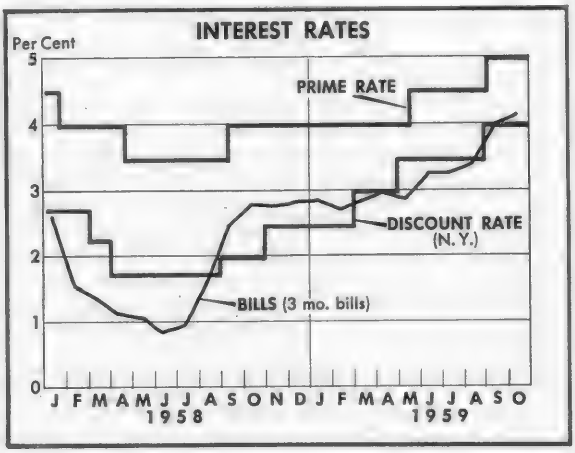




The cyclical movement of prices exerts another influence on credit. Rising prices usually accompany more active business which, in turn, requires more bank accommodation. Vice-versa, a decline in prices is usually associated with decreased business activity resulting in a reduction in outstanding credit.



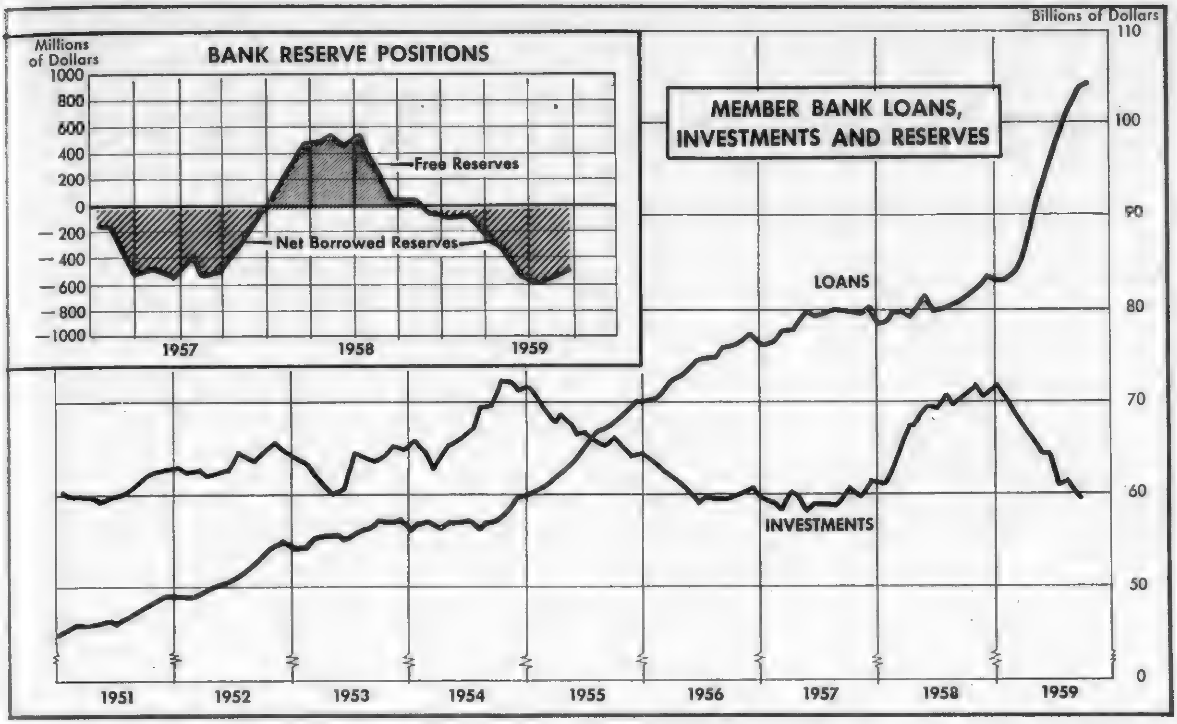
The money supply—demand deposits adjusted and currency—has been increasing but at a slower rate than the total production of goods and services. Thus the ratio of money supply to GNP has declined, indicating that the demand for money has steadily increased. This is evidenced by the higher rate of check turnover or the velocity of demand deposits.



Reflecting an increasing demand for funds, during the past year, interest rates remained at a high level, despite the increases in both money supply and turnover of demand deposits.

panies are expected to show a fairly substantial increase, depending upon the effect of strikes. Less activity is anticipated in mortgage loans owing to tight money, secondary market conditions, and somewhat less demand. No material change is expected in the volume of term loans, and a moderate increase is indicated for run-of-the-bank commercial loans.

The consensus is that small business has shared in the general increase in commercial borrowing during 1959 and the demand is expected to continue about as it is. Bankers see no significant change of policy



Bank loans and investments and bank reserve positions at Federal Reserve banks are additional monetary indicators. When banks make loans or buy securities from nonbanks, they automatically create money. When they require or accept payment of loans or sell securities to nonbanks, they automatically extinguish money. The amount of "free" or "net borrowed" reserves is a sensitive pressure gauge of credit conditions.

in handling this type of request in the past six months and it was emphasized they would continue meeting all credit-worthy small business needs in the future.

With settlement of the steel strike, all categories of consumer loans are expected to show an increase in 1960. Demand for bank consumer credit is expected to remain strong, although there is evidence of greater selectivity in the granting of credits to various types of borrowers.

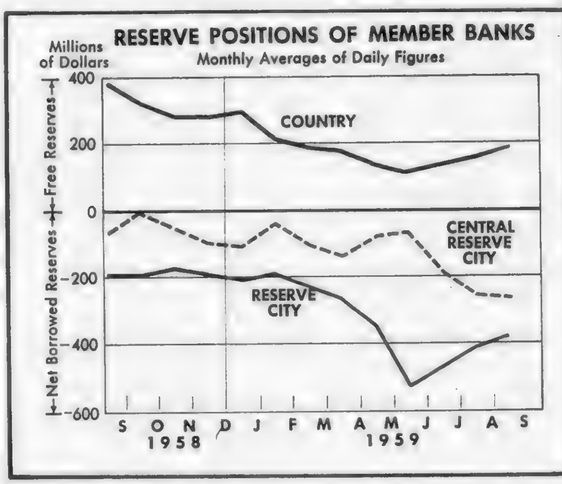
Consumer Credit: Up $2-Billion Yearly?

Fifty thousand new households a year is the present rate of growth, and this will almost double by 1970. These are net figures. The steady rise in average personal income, its wider distribution and a trend toward earlier marriages, all forecast an increase in credit-worthy individuals and in the number of those who make the most use of this method of purchase.

Guessing the future volume of consumer credit is a popular exercise, but the experience of banks has been so satisfactory that the volume is likely to rise in proportion to the expansion of consumer spending. On this basis an average increase of $2-billion a year seems reasonable to expect. At present, delinquencies and charge-offs are near their all-time low.

GNP Will Pass $500-Billion

At some time fairly early in the year we are going to be reading about our gross national product passing $500-billion at the annual rate. The dollar volume of



both sales and profits in manufacturing is rising, and there seems general agreement that it will exceed comparable 1959 levels with or without taking inflation into account.

Employment is at the highest point for this season in history, something over 65,640,000, although those reported as "jobless" by the Department of Labor are expected to reach 4,250,000 in January, a very high figure compared with any since World War II. The effect of the steel strike is evident here although strikers themselves are never counted as jobless. A tre-

(CONTINUED ON PAGE 136)

The Money Side of "The Street"

CARL H. MADDEN

The Federal Reserve banks and the Board itself publish an enormous amount of valuable and highly readable information. The publication list of the New York bank alone is impressive, both as to quantity and quality.

For special attention this month BANKING *has selected one recent publication of the New York Federal Reserve Bank. It is called* The Money Side of "The Street" *and was written by Carl H. Madden, head of the bank's Public Information Department. The booklet was adapted from a thesis the author originally presented to The Stonier Graduate School of Banking. Instead of the customary review we are presenting two sample excerpts to provide a clearer view of the content and aim.*

One purpose of the publication is for classroom use, but many bankers also like to return to the classroom frequently, as evidenced by the fact that the banking field has such extensive facilities for continuing education.

The booklet is obtainable from the Publications Division of the Federal Reserve Bank of New York, New York 45, at 70 cents per copy.

New York Money Market

WALL Street is a surprisingly small place. Only seven blocks long, it runs from Broadway's old Trinity Church less than half a mile gently downward to the East River. But the name also refers to a small district lying a few hundred yards to its north and south. In this area, less than half a mile square, bounded by Maiden Lane (called Cortlandt Street west of Broadway) on the north and by Whitehall Street on the south, and lying eastward of Trinity Place, are found most of the purely financial institutions of the city. Here, in a gloomy forest of concrete and steel where the sun shines on some streets only hours during the entire year, are the head offices of most of the nation's largest banks, the great stock and commodity exchanges, Government security dealers, investment bankers, corporate and municipal bond houses, foreign exchange dealers, and a host of subsidiary financial specialties.

District Landmarks

The northern boundary of the financial district proper is marked by the neo-Florentine *palazzo* of the Federal Reserve Bank of New York on Liberty Street. Almost hidden by the gleaming 60-story shaft of a new bank skyscraper, the Fed of New York, largest of the nation's 12 regional Reserve banks, represents the nation's central banking system, apex of Wall Street's and the nation's financial structure. At the southern boundary near the Battery the Produce Exchange, for 75 years housed in Victorian red, has a new 30-story glass and steel skyscraper home. The Exchange links the paper world of Wall Street with the tangible goods and the human skills whose production, storage, marketing, or employment the Street finances.

The inner sanctum of pure finance stretches upward within its narrow confines sometimes 40, 50, and 60 stories—as much as a fifth of a mile—above crowded streets with names like Cedar, Pine, Nassau, Broad, William, New, Beaver, and Market. These streets were once the pleasant lanes of little Nieuw Amsterdam and later the fashionable gilded-age thoroughfares of the growing city. Now they crisscross a compact area of probably the most intensive land use in the world. So many bricks and so much mortar are packed on top of each square foot of Manhattan bedrock here that engineers once fretted whether the island might sink from their weight. So many people work here that they cannot all, it is said, get onto the crowded streets at once.

Spreading out from its center in Wall Street a larger financial and insurance center runs south to Bowling Green, north to City Hall Park, and east and west almost from the East to the Hudson River. Also scattered out from Wall Street are a dozen or so specialized quarters still recognizable in the jumbled conglomerate of downtown New York, though becoming less distinctly specialized with time. Some are commodity markets in the traditional sense. Examples are the dilapidated, old Washington wholesale market for fruits and vegetables along the West Street waterfront; the famous Fulton Fish Market on the East River opposite; the Mercantile Exchange on Hudson and Harrison streets (market for butter and eggs); the coffee (fourth largest import for the city) market around Depeyster Street; and the wholesale leather market near Franklin Square.

A Center for "Centers"

The New York Stock Exchange at Wall Street and the American Stock Exchange at Trinity Place are perhaps Wall Street's best known market centers. Other basic centers near the area are the shipping district of lower Broadway, the Produce Exchange at Bowling Green and Whitehall, the Cotton and Wool Exchange at Hanover Square, the Coffee and Sugar Exchange on Pine Street, and the Maritime and Commodity Exchanges on Broad Street. In these markets hundreds of mil-

lion dollars' worth of wheat, cotton, coffee, copper, tin, lead, zinc and other basic materials are bought and sold each year. To be sure none of these things is made in the Wall Street area. What is more important to understand, only a small proportion ever comes within miles of its boundaries. As surely and swiftly as the shares traded on the stock exchanges switch ownership of plants in Poughkeepsie, Pittsburgh, or Podunk, the deals on these exchanges pass from hand to hand ownership of materials that may be stored thousands of miles away.

So we must carefully remember, when we speak of the markets for all these goods being located in the Wall Street area, that we use the word "market" in a much wider sense than its old dictionary meaning. A market in the modern sense is any arrangement that helps buyer and seller to come together and allows them to swap opinions about the value of things traded quickly and cheaply, where demand and supply of a traded commodity can be expressed. Whether there is a hall for the purpose is a matter of convenience. The money market has no single meeting place, but as we shall see operates largely in Wall Street through dealers and bankers talking over the telephone.

An Inside Look

After 11, the short-term open market in money, officially open at 10 o'clock, begins to hum. To see a part of it, our visitor might go to the trading room of a Government securities dealer. Here is the workplace of shirt-sleeved traders at desks cluttered, perhaps, with paper containers left from a hasty mid-morning snack. Most desks have little "turrets"—direct-wire switchboxes connecting with other dealers, banks, and the Federal Reserve Bank (sometimes marked by a special light, different in color from the others). Dealers make decisions to buy or sell bonds and their traders haggle for the best price. Listening to the cryptic negotiations of the quiet-voiced traders and watching dealers glance at small quotation boards or read messages from the broad-tape news ticker, he might be reminded of an Army communications center. He might also experience mild disappointment to observe the modest size of the establishment and small number of people, considering the size of the operations—that in this part of the market some $180-billion of securities are available to be traded.

Financing Needed

Equally important, the merchants, brokers, dealers, and others who operate in these great markets do not normally possess the ready money to pay for the purchases they make. Normally they have to borrow it, and this is where the money market comes in. By virtue of the monetary resources it commands, the money market is able and willing to lend the large amounts which security and commodity markets may require.

The Money Market's Role

The services of a financial center such as Wall Street's money market, by quickly bringing together lender and borrower and dependably arranging for them to borrow and lend large amounts of funds, are thus essential to the smooth, day-to-day workings of banking and financial institutions, businesses, the Government, and the economy as a whole. The money market enables commercial banks to supply extra funds to one another or make up much of their unexpected needs for funds quickly and cheaply. Banks have the job of receiving their depositors' cash and paying it on demand, but they earn income by lending to customers, setting aside only a portion of their cash as "reserves." Because banks can invest temporarily idle funds in the money market and be sure of getting them back again quickly and with little risk of loss, they can as a result of using the money market operate on a narrower margin of non-earning cash. This is particularly important for large banks, which may experience with only a few hours' notice (or none at all) withdrawal demands for considerable sums, as large depositors make payments of all kinds.

Managing the Nation's Reserve Position

Changing economic conditions and their impact on credit demands underlie the changing state of demand in the money market. Required re-

(CONTINUED ON PAGE 116)

The entire length of Wall Street, from No. 1 on the right all the way to the East River in the distance

PHOTO FROM DEVANEY

BANK EARNINGS *during the* SIXTIES

E. SHERMAN ADAMS

The author is deputy manager of the American Bankers Association in charge of the Economic Policy Commission and the Department of Monetary Policy. He is also director of The Stonier Graduate School of Banking.

Those interested in a more detailed discussion of the problems of the banking business over the coming decade may wish to send for copies of a recent address by DR. ADAMS *on "Challenges Confronting Bank Management."*

Please write to Department of Monetary Policy, American Bankers Association, 12 East 36th Street, New York 16, N. Y.

ON THE basis of certain trends, one could paint a rather gloomy picture of the outlook for bank earnings during the Sixties. Let us first examine these adverse factors and then consider some possible silver linings.

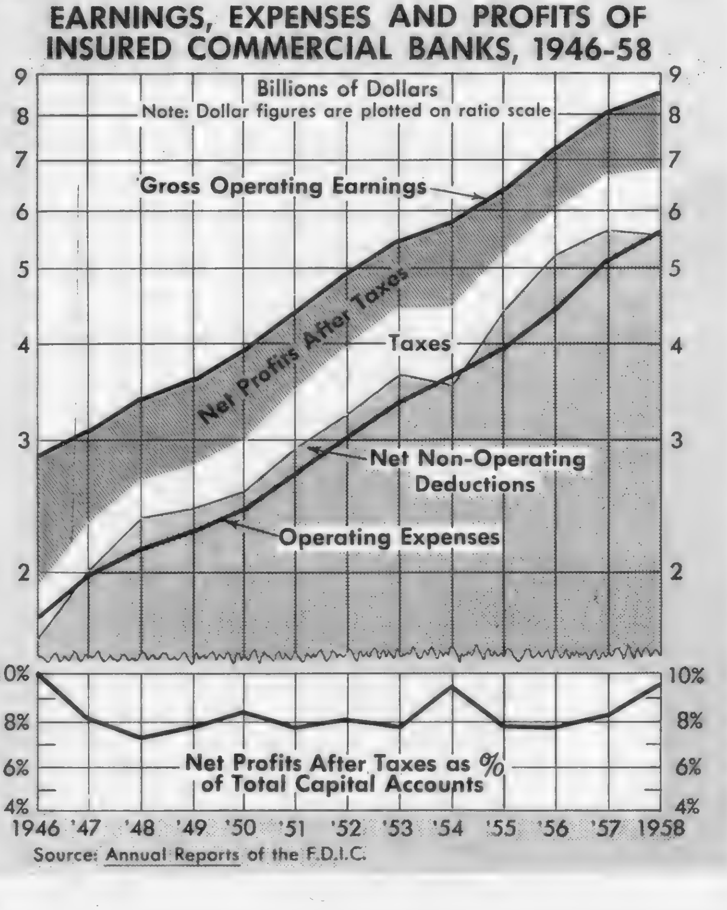
Over the past decade, gross earnings of commercial banks have risen rapidly, but so have their operating expenses. As a result, as shown by Chart I, bank profit ratios have remained at a relatively low level.

This record is far from reassuring when you consider the extraordinarily favorable circumstances under which the banks have been operating. The outstanding fact is that banks' gross earnings per dollar of deposits have more than doubled. This has reflected chiefly the strong upward trend of interest rates from very low to comparatively high levels and the quadrupling of bank loans.

Chart II clearly suggests the extent to which these factors have been responsible for this increase in bank revenues. Over the years, as can be seen, the two main factors affecting gross earnings per dollar of deposits have been the ratio of loans to deposits and bank lending rates. Since the end of World War II, both have risen very substantially.

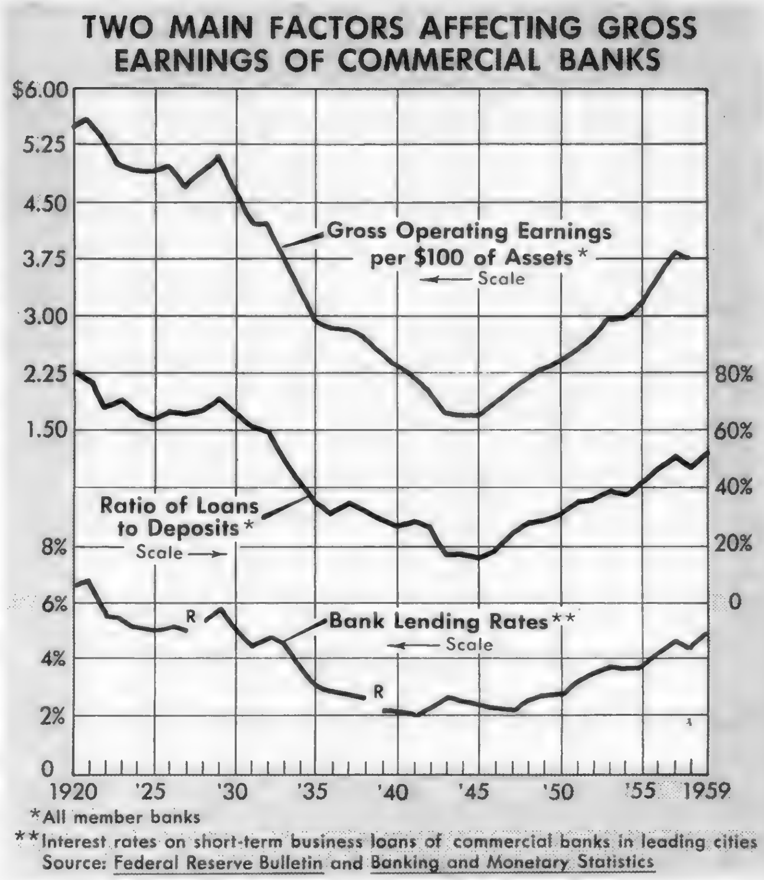
The decline in bank liquidity has been unusually rapid. At the end of the war, most banks had superabundant liquidity. Since then, the average ratio of loans to deposits has risen from less than 20% to over 50%. Many banks are now ap-

Chart I



Source: Annual Reports of the F.D.I.C.

Chart II



proaching a fully loaned position.

At the same time, despite substantial additions to their capital accounts, banks' capital ratios have declined substantially. As shown by Chart III, the average ratio of capital to risk assets has dropped from 25% to less than 15%. This, of course, has had a strong tendency to improve the percentage of earnings in relation to capital.

Given these trends, one might have expected the banks to have been able to earn really good profits. But they have not. On the average, they have barely maintained a modest 8% profit ratio.

These Favorable Trends Cannot Last

Since this was the best the banks were able to do under these unusually favorable conditions, what will happen to their earnings when these trends come to an end?

It is clear that they cannot continue indefinitely. Interest rates might go somewhat higher, but certainly they cannot rise at the pace they have risen since 1946. Indeed, they could easily recede from present levels.

Similarly, though loan-deposit ratios could also go higher, they are certainly not likely to rise from 50% to 80%.

So, no matter how you figure, gross earnings per dollar of bank deposits are not going to double again over the next decade.

Moreover, as can be seen from Chart III, the decline in bank capital ratios has already been leveling off in recent years. The average ratio now is appreciably lower than during the 1920s. It cannot be permitted to decline much further.

It is obvious, therefore, that these trends which have been so favorable to bank earnings are bound to slow down and tend to level off over the years ahead. As they do, it seems clear that, sooner or later, profit ratios of many banks will tend to be squeezed.

Behind the Averages

That is the gloomy side of the picture and one that cannot be laughed away. Fortunately, however, it is not the complete story. Over the years, the banking industry has exhibited remarkable adaptability to changing conditions. Its fate is seldom as bad as the figures indicated it should be.

For one thing, it should be remembered that the average profit ratio of 8% includes many banks which have been earning more than this and also many which have been doing relatively poorly. Generally speaking, the banks which have already shifted substantially into

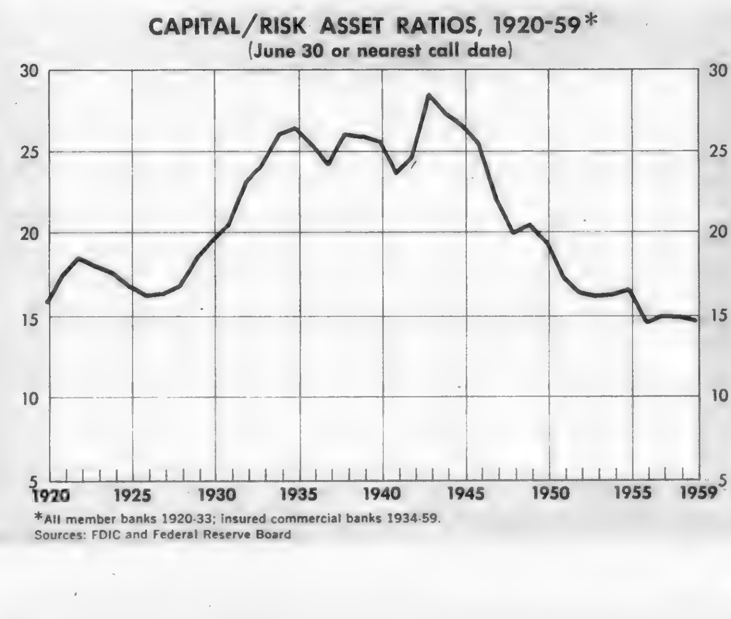


Chart III

higher-yielding risk assets are in a reasonably good earnings position. Most banks with poorer earnings still could do a considerable amount of further shifting in this direction.

In other words, the banks likely to be faced with the most serious earnings problems have by no means exhausted their ability to do something about them.

Can Banks Be More Efficient?

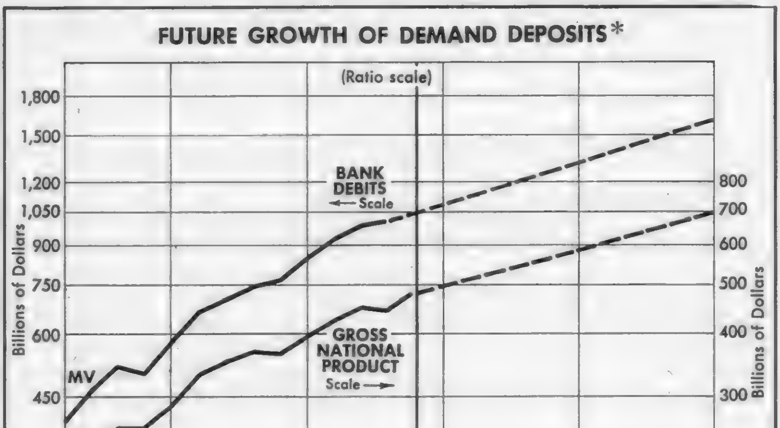
Will banks be able to improve their operating efficiency? As shown by Chart I, banks' operating expenses have been rising rapidly year after year. They have more than tripled since 1946.

This rapid rise has occurred despite the fact that most banks have been making considerable progress in the way of increased mechanization. Some bankers are confident that electronic equipment can produce substantial further economies. Perhaps it can. It remains to be seen, however, whether this will appreciably slow the rise in operating expenses for the industry as a whole.

Some banks have done an outstanding job of improving the efficiency of their operations. Looked at the other way around, this means that others have not. They will be under increasing pressure to do so over the years ahead.

But increased efficiency, while important, will not suffice. To maintain decent profits, banks are going to need far more in the way of gross earnings. How can they get them?

Chart IV



*Data: Bank debits to demand deposits and deposit turnover figures for 337 reporting centers; adjusted demand deposits of all commercial banks. Source: Federal Reserve.

Why Deposit Growth Has Lagged

Probably the most hopeful possibility is the likelihood that total bank deposits and earning assets will expand more rapidly than they have in recent years. If banks continue to compete more aggressively for personal savings, they should be able to attract more savings deposits than they have over the past decade. However, the main expansion is likely to come in their demand deposits.

The reason for this is that, since the end of World War II, bank demand deposits have risen only slowly in comparison with the increase in gross national product. Here is another trend which cannot continue indefinitely, but this one is on the plus side of our ledger. Over the coming decade, demand deposits should resume a faster, more normal, rate of growth.

This deserves further analysis. As we know, the volume of commercial bank demand deposits is greatly influenced by the monetary policies of the Federal Reserve. Over the years, the Reserve authorities will see to it that deposit growth bears at least a roughly parallel relationship to the over-all expansion of the economy.

However, there are usually differences between the rates of growth of demand deposits and of the economy, and these differences can be of major importance to banking. Over the coming decade, for example, the difference between a 5% annual growth rate in demand deposits, as against 3%, would make a difference of about $40-billion of deposits by 1970. This, in turn, would make a difference of around $1½-billion annually in the gross earnings of the banking industry.

Net profits would benefit substantially from a faster rate of deposit growth. Demand deposits are not costless to banks, of course. To obtain them, indeed, the banks must operate an intricate bookkeeping and clearing mechanism at great expense. However, this expense does not vary directly with the volume of these deposits but is more affected by their activity. Therefore, once the banks have sufficient deposits to break even on the cost of handling this activity, additional deposits are especially profitable.

(CONTINUED ON PAGE 128)

Foreign Aid v. Trade in Showdown Clash

HERBERT BRATTER

As things are shaping up at the turn of the year, a clash seems inevitable between those in favor of liberal foreign aid and those who want the accent on trade. In fact, such a clash has been in the making for years, but recent developments adversely affecting our foreign trade and our gold supply make 1960 look like a year of decision on the matter. Here our Washington correspondent, HERBERT BRATTER, *draws the main lines of this historical debate.*

WASHINGTON expects the balance of payments debate to continue unabated in coming months, with Congress playing a leading role. This is the kind of situation that cannot be corrected very quickly and which cannot be ignored. One of the results of the international payments deficit is a loss of gold to foreigners, which conceivably could weaken confidence in the dollar with repercussions at home as well as abroad. Gold movements will continue to make news.

The true measure of our payments deficit is foreign acquisition of both gold and short-term dollar assets. From 1950 to date, with the exception of 1957, we have sustained a drain continuously: $3.6-billion in 1950, due to Korea, smaller sums in later years. But in 1958 the drain jumped to $3,415,000,000—and there was no Korea to explain it. The first half of 1959 the drain was at an annual rate of over $4-billion.

Secretary of the Treasury Anderson's disclosure of the situation at the World Fund meeting gave rise to considerable public uneasiness.

We became aware that our gold stock, from a postwar high of $24.4-billion, has declined to about $19.6-billion, while foreigners' short-term holdings of dollar balances and other liquid assets—all theoretically withdrawable in gold—exceed $19.1-billion. Were there to be a flight from these foreign assets into gold, it could communicate itself overnight into a domestic flight from the dollar, causing the Treasury to install exchange control and so take the dollar "off gold" externally.

Secretary Anderson's Efforts

Mr. Anderson, who is chairman of the National Advisory Council on International Monetary and Financial Problems, has been leading Administration efforts to help redress the balance of payments. He has pressed for removal of discriminations abroad against dollar trade. He has approved the Development Loan Fund's new policy of tying its loans to U.S. goods wherever possible, although this new policy won't be taking hold for many months. He has urged that prosperous industrial nations assume a bigger role in aiding undeveloped countries. These are desirable goals, but their achievement hardly will come fast enough to make a big change in our trade deficit.

Mr. Anderson's efforts are handicapped by the Administration's split philosophy. The State Department, having the International Cooperation Administration under its wing to help it buy friends abroad, is hardly an ardent advocate of cutting the $4-billion President Eisenhower wants for foreign aid next year. Steps are being taken to reduce somewhat the heavy drain of military spending abroad, now that so many of the beneficiaries are well able to assume more of the cost themselves; but the habit of easy handouts is hard to break. In fiscal 1959 we gave and lent $4.6-billion of Government wealth, not counting $1,375,000,000 to the IMF.

Ever since World War II the Government has officially encouraged private investment abroad. It has officially encouraged American tourist travel abroad. Given the economic pressures to find new raw material resources as we progressively become more of a have-not nation, and given the inducements arising from the creation of trading blocs abroad, such as the European Com-

Ways that Have Been Suggested to Check the Payments Deficit

- Sell more goods abroad.
- Import less goods.
- Raise tariff barriers or impose import quotas.
- Reduce foreign aid.
- Reduce foreign lending.
- Reduce direct investment abroad.
- Reduce military spending abroad.
- Reduce offshore procurement.
- Require loan proceeds to be spent in the U. S. by the borrower.
- Reduce purchases of foreign goods by U. S. PXs and ship's stores abroad.
- Encourage GIs abroad to save and send their dollars home.
- Strive for lower prices on our export goods; fight the wage-price spiral.
- Discourage American tourist travel abroad.
- Encourage foreign tourist travel here.
- Persuade other countries to wipe out remaining discriminations against American trade.
- Make greater use of the counterpart funds the U. S. Government holds abroad.
- Tighten the Buy-American Act.
- Divert American traffic from foreign to American ships and airlines.
- Maintain high interest rates to attract and hold foreign capital.

mon Market—which was for years actively advocated by our Marshall Plan officials—the prospect is for still further heavy U. S. investment abroad.

It would help our balance of payments if we exported more goods and imported less. The Government, ever since Herbert Hoover's time, has been helping Americans sell more abroad in a variety of ways, including the multi-billion Eximbank; but its official policy since the war has been to promote imports, too. And one of the by-products of the Marshall Plan, through which we equipped Europe with the most modern machinery and know-how, has been the competition which others are now giving our exporters. In any case, there is no sign that the Eisenhower Administration is going to abandon the liberal trade policies inherited from Cordell Hull.

Most conservatives hail Mr. Anderson's efforts to right the balance. They see it as of the utmost importance, domestically and internationally, that the dollar be beyond suspicion. The dollar is the reserve material of many foreign currencies.

We have lectured other countries on how to conduct their affairs so as to avoid payments deficits. Now, it is being said, it is time for Uncle Sam to take his own advice: balance the budget, reduce the debt, stop the wage-price spiral, etc.

Voice of Opposition

But there is another segment of us, and a large one, which bristles by reflex when there is any mention of cutting foreign aid, encouraging protectionism, tying aid to dollar goods, and the like. Promiment Congressional figures may be expected to attack the Anderson program as "illiberal." Tied loans and aid will be scored as a step backward, as leading to retaliation, as unwise. Indicative of the debate now shaping up was the expression of concern published by Chairman Fulbright of the Foreign Relations Committee and his exchange of letters with the DLF and the State Department some weeks ago. Sen. Fulbright hopes "that the Treasury will not be allowed to dominate foreign policy."

Abroad, Mr. Anderson's efforts are being viewed without alarm. A number of countries have lately announced easing of discriminations against our trade. European and Japanese leaders are studying what can be done to increase aid to the underdeveloped. The IMF has endorsed Mr. Anderson's plea.

As the London *Times Weekly Review* puts it:

> America cannot go on indefinitely acting as the widow's cruse of the West. The last two years she, herself, has had an adverse balance of payments when aid is counted in, and her gold reserves, though huge by anyone else's standards, have been seeping away. Europe is now prosperous again. After their long generosity to Europe . . . the Americans can reasonably expect it to stand on its own feet. This argument applies also to defense costs. The West European countries still receive roughly the same proportion of American defense aid that they did 10 years ago. The Americans now feel, and say, that some of them should pay more of the joint costs of their defense and thus leave a bigger share of American funds for poorer countries, such as Greece and Turkey. With equal justice, they feel that Europe is still not providing as much as it ought in aid to the underdeveloped countries.

It would appear that Secretary Anderson may be getting more encouragement from overseas than from some of his own countrymen.

Pension Funds in "New Capitalism"

Readers of the Special Report on pension funds in the December 1959 issue of BANKING *will be especially interested in the extensive survey of the same subject which is summarized herewith.*

PRIVATE industry's pension funds, growing at the rate of more than $4-billion annually and now totaling over $33-billion, are a major force in the evolution of a new American capitalism that is marked by the rapid institutionalization of property ownership, says a report of the Twentieth Century Fund, New York, by Paul P. Harbrecht, S.J.

In "Pension Funds and Economic Power," he points out that the funds represent vast aggregations of wealth, neither public nor private, and not controlled by the state. They are "owned" by no one, in the usual sense, and thus present a phenomenon which, in a capitalist society, challenges the nation to find a rational framework to contain it.

The report says that some of the most serious weaknesses in present pension systems arise from ambiguity of asset ownership of the pension trusts. At least three groups have a form of interest in the funds; their claims are overlapping and poorly defined, with the rights of the employee the most uncertain.

The Rev. Harbrecht observes that "Whatever the property rights in pension trusts may be, the actual practice at present confines the beneficiaries' rights to claims upon these funds and places control in the hands of the contributors (usually the employers') and trustees."

In order to realize the advantages of favored tax treatment, employers have had to formalize their plans, dedicate reserves irrevocably to their employees' use, and provide for equality of treatment among beneficiaries. But the inadequacy of these and other present provisions is clearly evident, the study avers, in view of the lack of protection to workers in companies that go out of business or feel the pension fund obligations are too heavy.

"As a pension plan matures the expenses involved begin to rise very sharply and there is great danger that an unfunded or pay-as-you-go plan will not be able to meet its obligations. It is probably too much to require that no pension plan may be set up without funding, but once a plan is funded its reserves ought to be permanently out of the reach of the employer."

A lack of vesting is one of the most critical defects in most plans, Rev. Harbrecht says. In a vested plan an employee is entitled to a benefit although he may not have reached the full requirements of age or service before leaving.

The study points out that the annual stock purchases of the funds are larger than those of any other major buying group.

*PENSION FUNDS AND ECONOMIC POWER. By *Paul P. Harbrecht, S.J.* Twentieth Century Fund, New York. 328 pp. $5.

Washington

The Second Session: Short but Busy
The Mason Bill: Object of Recent Debate

THOMAS W. MILES

IN A FEW days the 86th Congress will return to Washington, fresh from the hustings, for its second session. It should be a short one in view of the need to get home as early as possible for election campaigns in a Presidential year. For that reason the Fourth of July weekend will probably be the target date.

Although there will be a great flurry of statements and announcements on and before January 6 when Congress formally convenes, it will be a few weeks before Congress settles down and begins to give an indication of its disposition. Things will shape up after the Administration's program and views are brought out in the President's State of the Union Message, his Budget Message and 1961 Budget, and the Economic Report which is prepared by his Council of Economic Advisers.

The State of the Union report will come within a few days of the convening of Congress, the Budget Message about January 18, and the Economic Report shortly thereafter.

One way or another, money will be the root of all Congressional problems as Congress seeks to deal with economic growth and the threat of inflation. During the adjournment the Joint Economic Committee has continued exhaustive hearings and studies in employment, growth, and price levels, and Vice-president Nixon's Cabinet Committee has produced a number of popular studies which have been widely distributed.

The Administration has let it be known that the spending budget for 1961 will total about $81-billion and that revenues will rise to $83-billion through increased business activity. The increase in expenditures, which is roughly $2-billion more than in the current budget, is due to built-in increases in the budget—that is, increases in existing programs authorized by law. These include such programs as outer space, civil aviation, merchant shipping, urban renewal, science education, medical research, public assistance, loans to under-developed countries, the farm program, and veterans' pensions.

Budget Looks Backward

As Director Maurice H. Stans of the Budget Bureau described it: "The Federal budget today is saddled with yesterday's priorities instead of anticipating tomorrow's." The only way that Mr. Stans sees of cutting back the level of the budget is to look to Congress to modify spending laws already on the books.

Mr. Stans is becoming quite a phrase-maker. He talks about "compulsive spending" and urges the Government to "stop living on credit cards."

Incidently he took a crack recently at "the cult of growth" which is worth repeating. He said:

"Attempts are being made to construct national policy around the raw objective of economic growth, measured in quantitative aggregates. It is becoming the excuse, or the rationalization, for unbalanced budgets, for unrestrained public and private borrowing, for inflationary expansion, and for the enlargement of Government spending to meet group pressures. It is a poorly-disguised version of an old proposition, which is that we can spend ourselves into prosperity. That one dies a hard death."

Anti-Inflation Programs

A tremendous effort is being made by the Administration and responsible private groups, including the American Bankers Association, to convince the American people about the kind of financial disciplines that it will take to stave off inflation. Is it taking? Well, in the first session, Congress changed its mind about having a "spending mandate." The liberal tinkerers with the economy were restricted. It is probable that the plain talk of the Administration and the reasoning of the sounder heads among the Democrats have gotten across to the people. It is significant that, while the recommendations of the liberal Democratic Advisory Council were almost sensational in New York, they passed practically without notice here in Washington. In any case, the first few important votes in Congress will show what Congress thinks the people want.

But you can depend on it there will be new spending proposals galore, control schemes aplenty, and ingenious devices to make money easier and more abundant. Some of these proposals will be a reaction to the cincture of tight money which makes too rough a bucking bronco for some Congressmen to stay on.

The panel discussions on tax re-

vision, which the House Ways and Means Committee carried on over the period of a month, ended December 18. The high point of these sessions for the American Bankers Association, because of its campaign for the Mason bill, H. R. 7950, came on December 14 when a panel of six specialists discussed mutual financial companies.

Among the panelists was Dr. Kurt F. Flexner of the A.B.A. His paper, which analyzed the Federal income tax law in its application to mutual financial institutions, was published in the *Tax Revision Compendium* shortly before the hearings commenced in November.

In his paper Dr. Flexner examined the tax status of mutual savings banks and savings and loan associations on the measure of two principles: equity and economic soundness. He found the internal revenue code lacking on both counts.

Going back in economic history to the demand which inaugurated mutual savings banks as "the little man's bank for savings," and savings and loan associations as "his promise of home ownership," Dr. Flexner ascribed their origin and mutual structure as the reasons for special tax treatment. But in view of the economic changes that have occurred, Dr. Flexner questioned seriously the validity of continuing the practice of preferential treatment and special privilege. He declared:

"Today the average man has grown so important in economic stature that, in addition to the savings banks and the savings and loan associations, many other institutions, including commercial banks, are not only willing but anxious to cater to him."

Then he made a telling point which is not generally recognized in Washington. It is this: ". . . the time and savings accounts of the commercial banks far exceed the savings accounts of either the savings banks or the savings and loan associations, and many of the commercial banks, especially the numerous smaller ones, depend for their existence on time and savings deposits.

"The savings account has become so important that those institutions which have been able to attract it have grown the most."

Functions No Longer Unique

Dr. Flexner went on to say that so long as the mutual savings banks and savings and loan associations were unique in their important function their tax treatment could be defended. But he declared: "Today it cannot be defended any longer."

Of the contention that mutual financial institutions need special treatment to operate successfully, Dr. Flexner said:

"If an industry must receive permanently special treatment to operate successfully, it is built on a sandy foundation, and, where other industries performing similar services do not require special treatment, the sooner the special treatments are removed the better."

Dr. Flexner argued that it is unthinkable that tax laws should discriminate against commercial banks and give them less than an equal opportunity to serve their communities and grow.

Pointing out that the loss of potential taxes from savings banks and savings and loan associations may well be inflationary, Dr. Flexner explained that this is so because they possess a greater ability to meet the demand for loanable funds by not paying taxes.

Dr. Flexner was of the opinion that an effective tax collection from mutual financial associations would not cause them hardships that others similarly taxed are not subject to. He found ample room for increased efficiency among those institutions.

What next, now that the panel discussions are finished? They were to be the first step in tax revision.

There will certainly be some legislation offered by the Ways and Means Committee, but it is not going to be fundamental or extensive tax revision.

Growth Without Inflation

The A. B. A. Committee for Economic Growth Without Inflation has contributed a paper to the Joint Economic Committee's study of employment, growth, and price levels. In it the A. B. A. committee calls for a closer coordination of the credit policies of various Federal lending and credit-guaranteeing agencies with Federal Reserve policy. The committee said:

"Although efforts in this direction in recent years have met with some success, policies of these agencies are still inconsistent at times with national monetary policy. And the activities of these agencies have now become so vast that these inconsistencies could impair the usefulness of monetary policy."

The committee urged Congress to make it clear that one of the primary responsibilities of every Government agency empowered to grant or guarantee credit is to see to it that its credit policies are at all times consistent with Federal Reserve policy.

The idea of establishing some kind of a centralized council to achieve such consistency was not favored by the A. B. A. committee for fear it would weaken the authority of the Federal Reserve.

The matter of consumer credit controls is one that you are likely

Budget Paradoxes

WHY the Federal budget is in the fix that it is was indicated recently by Maurice H. Stans, director of the Bureau of the Budget, in an address to the Tax Foundation.

After pointing out that the budget today "is saddled with yesterday's priorities instead of anticipating tomorrow's," Mr. Stans listed these five paradoxes:

"We spend great sums on interest charges on our national debt, but we do not reduce the principal.

"We carry on massive Federal programs which State and local governments could do better.

"We devote large amounts of money to farm price supports to reduce surpluses, with the opposite results.

"We lend money to benefit special groups at rates below those which the Government must pay to its own creditors, when private sources could do the job. . .

"We perpetuate Federal programs which have long since met the objectives for which they were created."

to hear about from time to time, mostly from the let's-have-a-little-inflation-and-control-it school, but also from others, such as Senator Prescott Bush (R., Conn.), who wants the legal machinery available in case restraints have to be applied.

Senator Bush has mentioned credit controls at the hearings of the Joint Economic Committee. So they are on his mind. Nonetheless, it would be with extreme reluctance that such a prospect would even be faced in Congress. There is no evidence yet of adequate support for such a move.

At most, lenders might be required to advise borrowers formally in writing of the total amount of the interest they will have to pay on a contract, or the interest rate, or both. There are technical details in that idea that would have to be worked out. But if any legislation in this field is likely at all, it would be apt to be similar to the action Congress took in the Monroney Bill last year, which required the posting of list prices of automobiles in the cars.

Consumer Credit Controls

From time to time the idea crops up that Congress should set standards for consumer credit and make legally unenforceable those contracts that do not conform. There is nothing new about the idea. Back in 1948 when the Federal Reserve Board re-issued Regulation W, it said:

"The Board is giving consideration to an amendment which would have the effect of making unenforceable any contract which does not conform to the regulation on downpayments or maturities."

The Fed invited comments. It got so many and such adverse ones that it dropped the idea immediately and has not mentioned it since.

When Chairman William McChesney Martin of the Federal Reserve Board testified last July before the Joint Economic Committee, he was asked by Representative Henry S. Reuss (D., Wis.) about consumer credit controls. The paper that he submitted later was critical of "the considerable burden such regulation imposes on the businesses directly affected and toleration of the discriminatory aspects which are unavoidable."

Mr. Martin summed up the Fed's attitude thus: "The Board does not

Open Season

ROBINSON IN THE INDIANAPOLIS NEWS

feel justified at this time in taking the initiative in a recommendation to Congress in this matter. The effectiveness and workability of this kind of selective regulation depends heavily on broadly based acceptance and support. Whether such support exists can best be determined in the forums of the Congress itself."

More recently Governor J. L. Robertson of the Fed went a step further. He went into the whole subject of controls—broad economic controls. He said: "Theoretically [and the word was underlined by him], it would be possible to follow inflationary policies on a controlled basis, but it could only be done if the American people were willing to pay the price of putting up with governmental economic controls sufficiently rigorous to do the job.

"The enforcement of such controls would have to go further than was the case with the price and wage controls we knew during the war. The Government would have to tell us not only how much we might pay for a product or how much we could earn but also how we could spend our money.

That 4¼% Ceiling

Rather than the route of controls, the Administration's approach to inflation is to hold down Federal spending as much as possible and to get Congress to free its hands from the dead weight of an old law that places a ceiling of 4¼% interest on bonds with five years or more to run.

When the Federal Reserve Board let banks count some of their vault cash toward reserve requirements last month in accordance with the new law, it was careful to make it clear that this action was no relaxation of its rein on credit. The Fed explained that this was done because "the beginning of December is a logical time for this action inasmuch as the Federal Reserve System needs to make additional reserves available to the banking system each year at this season in order to meet the seasonal requirements of the economy."

It would appear at this writing that banks may be asked to cooperate with the Internal Revenue Service and the Treasury Department in advising commercial accounts to which they regularly make mailings that the interest credited to savings accounts should be reported as taxable income. This would be done by stuffers in regular mailings. And it would be done by mutual savings banks and savings and loan associations as well. The alternative would be withholding by financial institutions.

A.B.A. President John W. Remington has sent letters to all Association members requesting them to enclose in monthly statement envelopes to checking account depositors a reminder of the Federal income tax obligation to report receipt of interest and dividends. (END)

POLICIES FOR

Prosperity Without Inflation

As part of its current study of employment, growth, and prices the Joint Economic Committee of Congress invited the American Bankers Association, *and other groups to submit "constructive suggestions as to public and private policies for reconciling and simultaneously obtaining the objectives of maximum employment, an adequate rate of growth, and reasonable stability of the price level."*

In response to this request, a statement was prepared and submitted in November 1959 by the Committee for Economic Growth Without Inflation, established recently by the A.B.A. and headed by Casimir A. Sienkiewicz, president of the Central-Penn National Bank of Philadelphia. Although some policy recommendations representing positions officially adopted by the A.B.A. were included, the statement as a whole expressed the views of the committee.

Some of the major viewpoints and recommendations contained in the statement are given here in condensed form. The full text of the statement has now been published by Congress and reprints may be obtained by writing to the Committee for Economic Growth Without Inflation, A.B.A., 12 East 36th Street, New York 16, N. Y.

Basic Considerations

MAXIMUM employment, an adequate rate of growth, and reasonable stability of the price level are all important goals of national economic policy. These objectives are not only compatible but, in the long run, are mutually interdependent.

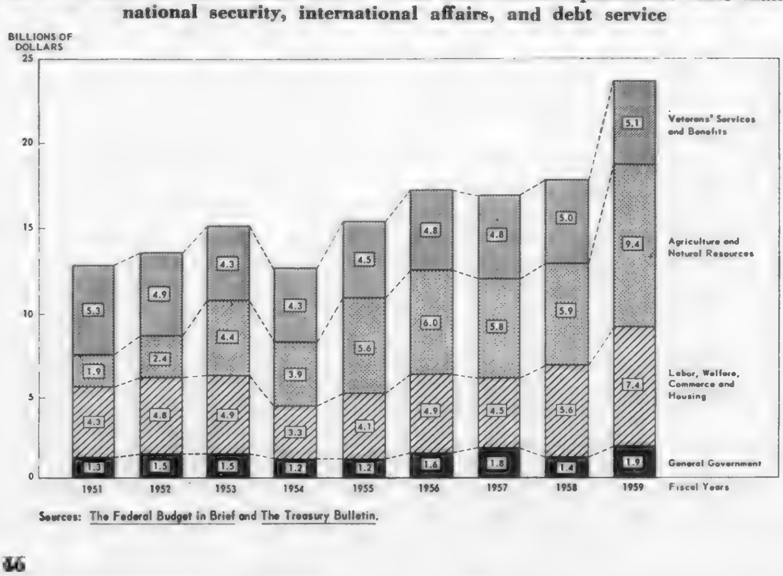
Looking back over our history, it is apparent that the worst enemy of economic progress has been the business cycle. Repeatedly, the rising trend of production has been slowed or reversed by recurring recessions and depressions. In every case these have resulted from the excesses of an inflationary boom that developed during the preceding periods of expansion.

In view of these considerations, the following recommendations are based on the belief that it is essential to come to grips with the problems of the business cycle and of inflation.

Federal Expenditures

The Federal budget needs to be brought under better control. The persistently rising trend in all major categories of Government spending must be ended, because the vast size of the budget makes it inflationary, even when it is in balance. Moreover, some of our spending programs directly support or raise prices and divert resources from productive use in various segments of our economy.

HOW SPENDING PROGRAMS GROW—This chart shows expenditures other than national security, international affairs, and debt service



Sources: The Federal Budget in Brief and The Treasury Bulletin.

Nondefense Expenditures Are Heart of Problem

There doubtless remains some scope for improving the efficiency of various governmental operations. It is highly unlikely, however, that a major improvement in the budget can be effected from this source alone. Also, although military and foreign aid should certainly be subjected to critical analysis, we must proceed with great care in trying to achieve economies in this area.

As a practical matter, therefore, nondefense expenditures constitute the heart of our budget problem, and we will be forced to make fundamental revisions in some of our large domestic spending programs.

Budget Policy

A good practical approach would be to balance the budget over the course of the business cycle. When production and employment are at high levels, we should achieve substantial budgetary surpluses for debt reduction to reduce inflationary pressures.

Tax Policies

Although the A.B.A. has not made a detailed study of the Fed-

Summary of a Special Report by the Committee for Economic Growth Without Inflation

eral tax structure, it is our belief that a thoroughgoing study in this area would reveal many opportunities for improvement, particularly from the standpoint of encouraging rather than discouraging capital formation, the basic prerequisite for economic progress.

Congress and the Budget

Individual appropriation bills and tax bills are too frequently enacted without sufficient consideration of their relationship to the over-all budget picture, and many expensive spending programs come into being as a result of seemingly innocuous small appropriations for getting them started. Congress should scrutinize requests of this kind with great care and should insist that they be accompanied by projections of expenditures over future years and estimates of total ultimate costs.

Debt Management Policies

The Treasury has encountered increasing difficulty in placing its obligations with savers and savings institutions, and has been forced to resort more and more to short-term financing. This situation has been aggravated by the huge increase that has taken place in Government-guaranteed debt which competes with direct Treasury obligations for funds. Furthermore, the condition of Federal finances has added to inflationary fears and made investors less willing to hold Treasury obligations.

If we could achieve substantial surpluses for debt reduction during booms, the Treasury would not be forced to try to compete for lendable funds at the very times that other sectors of the economy are borrowing heavily.

It would be most desirable if the Treasury could develop a program for regular, periodic extension of its debt maturities. Congress should encourage the Treasury to achieve a better maturity distribution of the debt and, of course, should grant the Treasury adequate authority to handle the debt in as noninflationary a manner as it can—including authority to pay the going market rate for long-term money.

Federal Reserve Policy

Monetary policy is always a matter of judgment and human judgment is never infallible. However, it seems plain that our best hope for bringing wise judgment to bear on monetary policy is to leave responsibility for it vested with an impartial professional group operating under a broad Congressional mandate; namely, the Federal Reserve Board.

Admittedly, the impact of monetary policy is more uneven than might be regarded as ideal. Fortunately, however, the evidence indicates that its effects in recent years have not been concentrated on any one or two types of borrowers but that, generally speaking, they have been quite widely diffused among almost all categories of borrowers.

This matter deserves continuing study, of course, for conceivably it might some day be desirable to take action to prevent certain borrowers from being badly hurt by a tightening of credit conditions. On the basis of available evidence, however, it seems clear that measures of this kind are not warranted at the present time.

Credit Policies of Government Agencies

It would be desirable to achieve closer coordination of the credit policies of various Federal lending and credit-guaranteeing agencies with Federal Reserve policy—definitely not the other way around.

This is a complicated problem that cannot be completely cured simply by passing a law. Nevertheless, it might do some good if the Congress were to take appropriate action to make it clear that one of the primary responsibilities of every Government agency empowered to grant or guarantee credit is to see that its credit policies are at all times consistent with Federal Reserve policy.

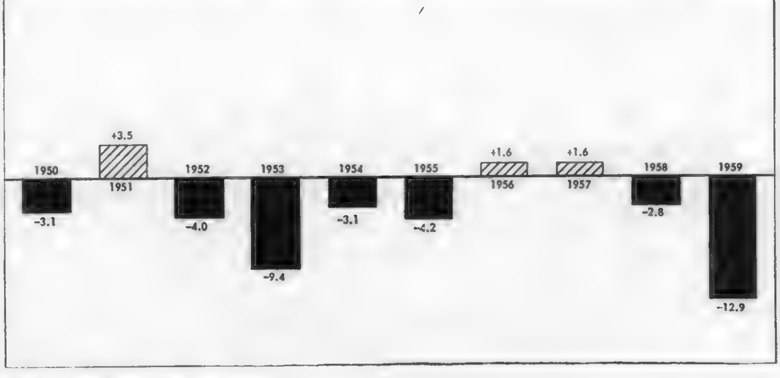
Suggestions are made from time to time for establishing some kind of centralized council to achieve such consistency. The great danger would be that the authority of the Federal Reserve might thereby be weakened, and for this reason, many who would like to see better coordination are skeptical about these proposals. In any event, if such an arrangement is tried, certainly every precaution should be taken to guard against this danger.

The Employment Act

The Employment Act of 1946 provides our basic guide to national economic policy by directing all agencies of the Government to "promote maximum employment, produc-

(CONTINUED ON PAGE 112)

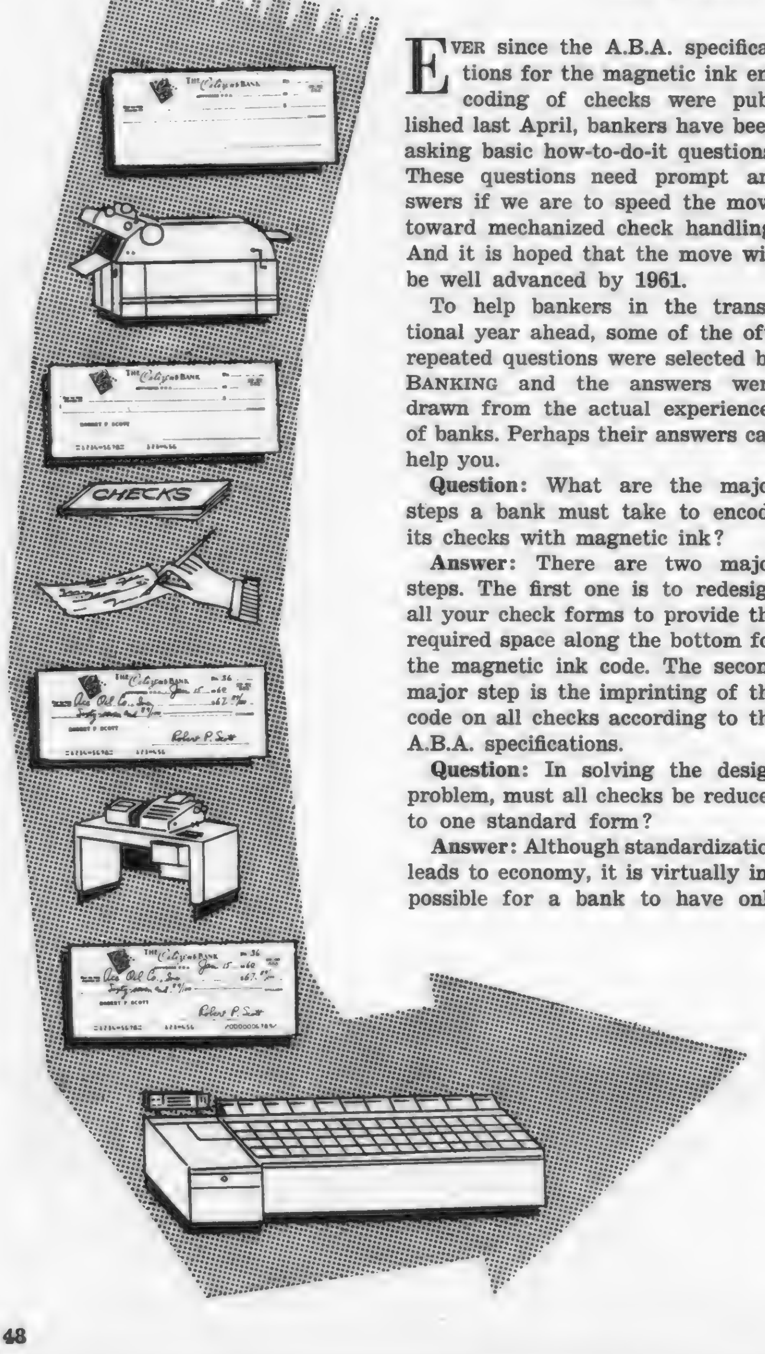
OUR INFLATIONARY FEDERAL BUDGET—Surpluses (+) and deficits (—) are shown in billions of dollars



Source: The Federal Budget in Brief.

Magnetic Ink and Brass Tacks

Here are 13 basic how-to-do-it questions on the encoding of checks in magnetic ink along with helpful how-we-did-it answers.



RICHARD L. KRAYBILL

EVER since the A.B.A. specifications for the magnetic ink encoding of checks were published last April, bankers have been asking basic how-to-do-it questions. These questions need prompt answers if we are to speed the move toward mechanized check handling. And it is hoped that the move will be well advanced by 1961.

To help bankers in the transitional year ahead, some of the oft-repeated questions were selected by BANKING and the answers were drawn from the actual experiences of banks. Perhaps their answers can help you.

Question: What are the major steps a bank must take to encode its checks with magnetic ink?

Answer: There are two major steps. The first one is to redesign all your check forms to provide the required space along the bottom for the magnetic ink code. The second major step is the imprinting of the code on all checks according to the A.B.A. specifications.

Question: In solving the design problem, must all checks be reduced to one standard form?

Answer: Although standardization leads to economy, it is virtually impossible for a bank to have only one standard check form. As a result, banks usually try to standardize on four or five basic styles. These might include such forms as checks designed for two signatures, for window style envelopes, and for special checking accounts just to name a few.

If a customer wants checks of a different style from any provided by the bank, he can get them from an outside source at his own expense. Of course, they'll still have to meet all the specifications for magnetic ink encoding.

Question: How can a bank control the design and the meeting of specifications on checks that an account purchases from some outside source?

Answer: The problem is one of cooperation rather than control. It has generally been found that both the customer and his printer are very cooperative when the bank explains to them exactly what is wanted, why it is wanted, and then works with them to achieve it.

Question: How long does it take to solve all the problems of redesign?

(CONTINUED ON PAGE 121)

FIRST: for magnetic ink encoding it is necessary to provide checks that have space at the bottom for the coded data.

SECOND: the routing-transit code must be imprinted. In the sample, we printed the coded account number of the customer and personalized the check with his name.

THIRD: when a check is written by the customer and presented for collection, the bank must then encode the amount.

FOURTH: after the amount is encoded on the check, it is ready for electronic sorting and handling in the clearing centers as well as in the bank itself.

Liquidity, Interest Rates, and the Banking System

ARTHUR R. UPGREN

DR. UPGREN *is Frederic R. Bigelow Professor of Economics and director of the Bureau of Economic Studies, Macalester College, St. Paul, Minnesota. He is also economic consultant to the First Bank Stock Corporation Banks, Minneapolis and St. Paul.*

Positions he has formerly held include dean and director of research, Amos Tuck School of Business Administration, Dartmouth College; professor of economics and finance, University of Minnesota; vice-president, Federal Reserve Bank of Minneapolis; associate editorial editor and economic consultant to the Minneapolis Star & Tribune; *Fulbright Professor, Denmark, 1953; member of Bretton Woods International Monetary Conference. He has served with the Departments of State and Commerce and the Government of Manitoba.*

He is co-author of Economics for You and Me *and editor, Bulletin Series (5),* How to Be Your Own Economist, *Macalester College, 1958.*

UNDER the impact of a quadrupling of the dollar amount of total loans by the banking system since 1945, the liquidity ratio of the banking system has declined from 83% to 45%. This decline in liquidity was modestly increased by the reduction in bank holdings of Government securities.

For 1945 to 1959, as shown in the accompanying table on the liquidity of all banks in the United States, the amount of cash and reserves of the banks has increased very moderately (by $9-billion) and the holdings of United States Government securities have declined by $35-billion. As a result of these changes in the principal assets of the banking system, total deposits have increased by $80-billion, rising about 50% from 1945 to 1959.

The range of estimates by which the supply of money in the United States must increase in order to finance the expanding gross national production ranges from 3½% to 5½%. The gross national product is widely expected to increase to $600-billion in 1965 and to $700-billion in 1970.

Taking the round figure of a required 5% rate of growth in bank deposits, our needed total of bank deposits will be double the present figure in 14 years. The 5% rate of growth is compounded, and that rate results in a doubling in 14 years.

Since we have not raised appreciably our gold and other reserves in the past 14 years, we do not seem likely to increase them, unless there is an emergency, in the next 14 years. The United States securities held by the commercial banks have declined substantially in the last 14 years and, as Government issues approach maturity (and get back to 100) these holdings will probably decline in the next 14 years.

As a result, the needed growth in deposits will have to originate in

The Liquidity of All Banks in the U. S., 1929-1959

(in billions of dollars)

Rising Liquidity

	June 30 1929	*Dec. 31 1939*	*Dec. 31 1945*
Cash and reserves	6.3	23.3	35.4
U. S. securities	5.5	19.4	101.3
Loans	41.1	22.2	30.4
Liquidity ratio	23%	63%	83%

	1929	*1939*	*1945*
Total deposits	54	68	166

Declining Liquidity

	Dec. 31 1945	*Dec. 31 1955*	*Dec. 31 1956*	*Sept. 30 1959*
Cash and reserves	35.4	45.0	49.6	44.6
U. S. securities	101.3	70.3	66.5	66.5
Loans	39.0	100.2	111.0	132.6
Liquidity ratio	83%	53%	52%	45%

	1945	*1955*	*1956*	*1959*
Total deposits	166	217	221	246

the expansion of loans by the banks. As these loans expand, the liquidity ratio is reduced (and its reciprocal, the well known "loan ratio," will of course be increasing). As we have in past decades markedly increased the loan ratio, we have had crises.

The doubling of bank deposits under the conditions outlined above will by 1973 reduce the present 45% liquidity ratio to half that figure. That will mean the liquidity ratio will have come back to the level of 23% which prevailed in 1929, after which time we suffered an acute financial crisis.

To Prevent a Panic

After the severe money panic of 1907, following searching investigation, we established a central banking system as the instrument which would permit us to fend off a repetition of 1907. This instrument, it must be frankly recorded, failed us, or more simply "failed" in the severe situation of 1933. After that crisis, we established the Federal Deposit Insurance Corporation to remedy the difficulties with the money supply in crises which had been chronic for 100 years, or at least had recurred periodically.

The Federal Deposit Insurance Corporation carefully and reflectively discussed its capabilities in its Annual Report for 1957 (pp. 65-66) in these words:

> There is no question that the present deposit insurance fund would be entirely inadequate should, for example, a situation similar to that of 1930-1933 recur.
>
> To what extent can we expect a situation such as that of 1930-1933 to recur? Certainly, we can conceive of the possibility of a severe economic downturn accompanied by large numbers of bank failures. Neither the public confidence engendered by the existence of Federal deposit insurance nor the improvements in banking and bank supervising would be sufficient to prevent these failures which would be a consequence of economic dislocations of a fundamental nature.
>
> However, because the Federal Government is committed, under the Employment Act of 1946, to follow policies which will stimulate full employment, and in view of the knowledge and authority now possessed by various agencies of the Federal Government, it is reasonable to assume that we will be able to avoid prolongation of a serious depression.

We have, then, the warning that the United States monetary system could move inexorably toward a crisis, for which the suggestive date of 1973 can be given to make it a centennial over the crisis of 1873. We should certainly take advantage of the warning well ahead of time, though the record of a democracy shows far more action taken *after* a crisis than in advance.

Furthermore, the long lapse of years since a previous crisis perhaps lulls the country into feeling that that very long record precludes a crisis coming again.

There are adequate remedies available to us if we wish to take action in advance. The first remedy could be a widespread adoption of branch banking. Countries with large branch banking systems, such as Britain and Canada, do not have the financial crisis stemming from banking collapses.

Devalue Gold?

A second remedy, certainly not attractive nor likely, is another devaluation of gold. It is certainly difficult to believe that such action would be taken before a crisis in a voluntary way.

A third remedy would be for the Treasury always to refund maturing security issues with such an attractive proportion of short-term securities that the banks would be induced to maintain a liquidity ratio in excess of a suggested 30% figure. This is the "premium" in liquidity that we perhaps have to pay for a type of banking system which has produced the record of the past with great losses to the population as a whole. The merit in this proposal is that a central bank now empowered to lend "on any good asset" will consider United States securities good assets in bad times as well as in good.

Another Alternative

Another remedy would be to accept the coming of the crisis and then to place large amounts of United States securities in all threatened banks and to accept for the Federal Government a subordinated deposit. This would meet the requirements of liquidity and possession of good assets and be vastly less costly than accepting the enormous losses of a recession in large part brought on by the destruction of part of the money supply.

The final alternative, of course, is the one that has no advocates, another "collapse of the money supply."

At this point it might be well to look at the record.

A Look at the Record

Dollar devaluation, confirmed in the Gold Reserve Act approved January 30, 1934, has in effect almost completely laid low any concern about financial or banking liquidity in the United States for many years.

The record shows that at the time the dollar was devalued the United States had a gold stock of $4-billion. Devaluation of the dollar (the low-

Total U. S. Public and Private Debt, 1945 and 1958

Class of debt (in billions of dollars)	Gross debt Dec. 31 1945	1958	Percent increase
Total public and private	463	902	94.82
Federal Government and agencies	293	311	6.14
State and local	17	57	235.29
Corporate	100	294	194.0
Farm	7	23	228.57
House mortgages	27	145	437.04
Consumer and other personal debt	20	72	260.0

The growth in debt in the United States since 1945 has been almost entirely a growth in productive private debt. The Government debt, while not growing, does provide a large amount of liquidity in the economy. The amount of the Federal debt, however, today is two-thirds of the annual gross national product. The debt of 1945 was relative to gross national product twice as great, equaling one and one-third times the gross national product of that period.

ered gold content of the dollar) enlarged the dollar value of this gold stock to $7-billion.

This 69% boost in the price of gold came at a time when the American price level for commodities and manufactures of all kinds was low, and particularly low were the prices of all kinds of securities. This led to the entire world sending a stream of monetary gold flowing to the United States, not to mention its supplementation by another stream made up of the de-hoarding of nonmonetary gold stocks.

By 1939 our gold stock was increased to $17-billion. Now the lack of liquidity prior to 1934 was turned into a problem of excess liquidity. As a result of the inflow of gold, the excess reserves of the banking system at one time rose to an amount fully equal to the required reserves. There was still what is best described as a superfluous liquidity (cash, reserves, and U. S. securities as a proportion of total deposits). Where the liquidity ratio of the commercial banks had stood at 23% in 1929, this liquidity ratio was about 65% in 1939. The increase in gold stock by devaluation and the increase in United States securities held by the banks, as they financed in the 1930s a substantial part of the Federal budget deficit, about equally contributed to this marked elevation of the liquidity ratio.

With this extremely liquid position of our banks and especially of bank reserves, we entered World War II.

During the war, about $80-billion of Government securities were sold to the banking system. During the war our gold stock was further increased from $17-billion in 1939 to a final maximum figure of more than $24-billion. Again, as a result of the gold inflow and the sale of this large amount of Government bonds to the banking system, the liquidity ratio of banks in the United States rose to the astonishing figure of 83%.

While there can be criticism of this simple measure of liquidity, it is the measure bankers have developed (as the reciprocal of the "loan ratio"). The criticism is greatly reduced when the extraordinarily large percentages are considered.

Effects of Liquidity

With the conclusion of the war and an extraordinarily rapid return by April 1946 to a balanced budget, the standard $2\frac{1}{2}\%$ type long-term bonds issued during the war rose to a market quotation of 106.20—the all-time high. This was the product of the immense liquidity arising from the huge gold inflow of the previous 10 years and the restoration so quickly after the war of a balanced budget.

The most important single feature of the postwar period was the maintenance by the Federal Reserve authorities of the pegged price of 100 for all Government securities. This continued until our re-examination of monetary policy, brought about so forcefully by the immediate inflation which came with the outbreak of the Korean conflict in mid-1950.

With the maintained peg of par for all Government securities, those securities became, as bankers usually put the matter, "interest bearing currency." Now reserves were freely available to the banks without cost by the simple expedient of selling any part of the $101-billion of United States securities which the commercial banks held in their portfolios on December 31, 1945.

Who Owns the National Debt?

Total debt—March 1959 (in billions of dollars)		282.2
Amounts owned by:		
U. S. Agencies and Federal trust funds		53.7
Debt held by public		228.5
Federal Reserve banks	25.5	
Commercial banks	62.9	
Mutual savings banks	7.4	
Insurance companies	12.0	
Other corporations	21.0	
State & local governments	17.9	
Individuals		
Savings banks	47.5	
Other	17.1	
Miscellaneous—savings & loan associations, dealers & brokers, corporate pension funds, etc.	17.2	
	228.5	

The Federal debt owned by the Federal Reserve banks was acquired to provide the nation's liquidity in the form of Federal Reserve notes. The Federal debt owned by the commercial banks represents a large share of their higher liquidity today than prior to World War II. The debt held by Federal trust funds is the investment of pension fund receipts of all kinds. The Federal debt owned by individuals is one important component in the massive consumer liquidity today.

The postwar reconversion of our production to a civilian basis was speedily and most effectively accomplished in 1946. Contrary to the estimates of the economists of President Truman, we did not have a recession. Instead, the economy moved forward rapidly. This error of estimation has been freely confessed to be "The Great Mistake" of 1946. This mistake led to the initiation of Administration-encouraged "rounds" of wage increases intended to offset the assumed decline in the economy resulting from the fall in wartime expenditures for military purposes.

Now lending by the banks moved up rapidly. One test of whether we have a banking system which is destined to be subject to a great deal of Federal Government influence is the test of whether the banks are lending more to private industries than they have loaned to the Federal Government. At the end of 1945, Government securities in the commercial banks were about $100-billion and loans were about $40-billion. By 1955 loans had become $100-billion and the amount of United States securities owned by the commercial banks stood at $70-billion. As of last September, loans were $133-billion, or double the $66-billion in holdings of United States securities. So the banking system has emerged into a greater area of freedom from serving the Government so preponderantly as it did during the war.

The maintenance of the peg on Government securities from 1945 to 1951 gave us low interest rates and inflation.

With the removal of the peg at the time of the "accord," Government security prices declined substantially and the decline continued until the moderate Government security crisis of late 1959 and the issuance of the "magic fives."

It is very clear that during the years in which liquidity remained very high, interest rates were, of course, very low. As the liquidity ratio has fallen, interest rates have steadily increased.

BETTER METHODS & SYSTEMS

Every-Day Operations in Smaller Banks

PROCEDURES for handling daily routines in small bank operations were discussed by Franklyn A. Edwards, assistant treasurer, Manufacturers Trust Company, New York, before the fall meeting of the Pennsylvania Bankers Association. Some of the points he covered are condensed herewith.

PROOF MACHINE. Every bank should have one; it's just as essential as a bookkeeping machine. Without them you handle much unnecessary detail and duplication.

With most procedures where a machine isn't used, the tellers must prove every deposit while the customer waits. After this, one method is to list all items by classification; the difference between debits and credits should provide the cash balance. If the total does not prove, the checking starts. Small differences are charged off. Under another procedure where individual tellers' cash totals are maintained, duplication of listings is necessary, in addition to proving all deposits while the customers are at the windows.

These operations could be improved by installing a block or batch proof system which usually does not include all the transactions. However, this sort of change could be compared with disposing of a horse and buggy and buying a Model T!

A proof machine relieves tellers of much detail; they only need to count and prove the cash. The operator will find deposit errors, and duplicate listings are eliminated. If all items and transactions are processed, the machine proof will provide all the necessary detail for posting the general ledger and eliminate the cash journal proof.

Some banks relist the outgoing cash letters even though they have been processed and proved through the machine. Generally, this operation is the result of an error at a previous date; however, **it is contrary to the purpose of the machine and should be discontinued.**

Deposits are sometimes posted to the accounts in separate runs from the check postings, with the thought that the bookkeepers will be more accurate. When it is realized that the majority of accounts with deposit postings usually have check transactions also, it's evident that **the daily posting time can be shortened by combined posting of debits and credits.**

Bookkeepers are sometimes required to prepare a new statement each time they make a posting error. This procedure is discouraging. It would be better for department morale, and for operations too, if **the bookkeepers were allowed to machine post up to two corrections on any sheet, using the error correction symbol.** As a control, the operators could present sheets showing corrections to the head bookkeeper or supervisor who would review the transaction.

ENDORSEMENTS. Many banks do not examine all incoming checks for endorsement, yet many small items are returned for reasons affecting the endorsement. The majority of depositors do not examine their checks on this count. Most banks rely on the guarantee of prior endorsements in the bank stamps. The operation in itself is time consuming and frequently is negligently handled. Banks that haven't adopted this procedure could **expedite the handling of incoming checks by limiting the examination to items over $500.**

DEBIT PROOF. Under the fully delayed posting system the proof of debits to the previous day's total creates the need for daily adjustments or a delay in posting the general ledger until the posting has been completed.

Two procedures are most generally used to avoid this problem. Some banks post all checks to the account and substitute credit memoranda for the checks that are being returned. Offsetting credits are processed through the proof and posted to the accounts the next day. With the other procedure, the bookkeeper only posts the items which are covered by balances. The N. G. checks are all posted to a "return item" account at the end of the ledger. A credit for the total of all the items is processed through the daily proof to offset the checks which are sent back or routed back to the bookkeeping department to be paid. The credit will wash out the balance when it is posted the following day.

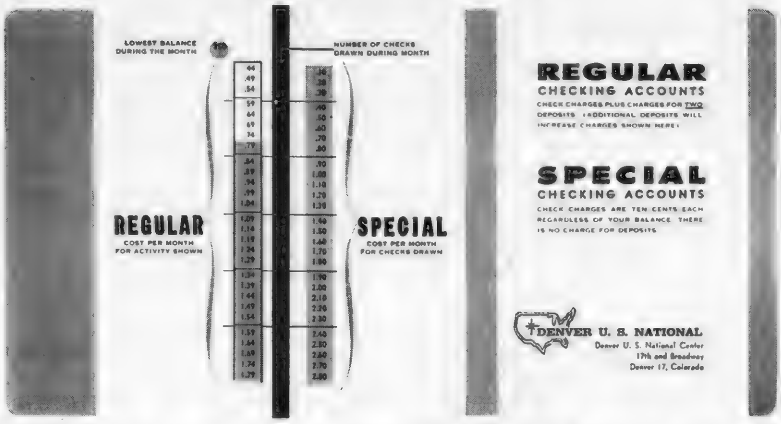
An individual account record card of N. G. checks can be helpful. It would show the name of the customer, the date of each transaction, balance of the account and spaces for an officer's authorization to pay or return. The cards would be set up for an account on the first occa-

sion an item is referred and then used for subsequent items. This type of record is often helpful in discussions with customers or when credit is requested. The record will also provide a detailed record of past performances to serve as a guide to anyone who might be substituting for the regular officer in his absence.

STATEMENTS. The heading up of statement sheets by typewriter consumes a great deal of time and makes it possible to have errors in the spelling of the depositors' names or errors in the address. There are various types of equipment available for this purpose which would save considerable time and eliminate the errors. Plates would be prepared for every account and would be filed alphabetically under the statement date.

Officers opening new accounts might take the new customer's signature on the first ledger or statement sheet, as well as on the usual signature cards. This procedure affords protection, since the signature will be constantly before the bookkeeper while paying the new account checks while the sheet is in use.

Bank Uses Slide Rule to Measure Customers' Checking Account Charges



Here's the check slide rule, set for a $250 monthly minimum balance. Colors used are blue, yellow and black

DENVER U. S. NATIONAL Bank, Denver, Colo., has a new gadget that tells the customer at a glance whether a special or a regular checking account is best for him. It's a slide rule.

James K. Sanbourne, the bank's public relations director, tells us that the easily-read three-color rule is used by the new account officers, and is proving to be a handy tool. Calibrated for minimum balances of $50 to $900 a month, and for activity ranging from 1 to 28 checks, it instantly reports the cost per month for various numbers of items in both the regular and special check categories.

The rule is made of heavy glossy cardboard, and the mobile part is easily shifted. Denver U. S. National has applied for a copyright.

Small Business Term Loans

VARIOUS angles of the small business term loan program as it has developed in the last 10 years were reported by two vice-presidents of The First Pennsylvania Banking & Trust Company, Philadelphia, at the fall meeting of the Pennsylvania Bankers Association.

James F. Bodine, noting that the program was essentially the adaptation of instalment credit principles to the needs of small businessmen, called attention to four basic differences between this type of credit and regular commercial loans: (1) The SBTL's provide much better discipline of the borrower—periodic payments—and consequently develop an improved customer. (2) They emphasize earning power and the borrower's character and business ability, as against collateral or equity protection. (3) They bring greater income to the bank, allowing for greater risk loans and acceptance of credits that would otherwise have to be refused. (4) They are a community service offering a much needed semicapital type of financing to smaller businesses, which banks in the past were not equipped to handle.

Operating Angles

Rudolph A. Biborosch reported on the operating mechanics of the First Pennsylvania SBTL program which in the past 10 years has made more than 6,000 loans aggregating about $33,400,000, with current outstandings of around $7,500,000. (Only 17 loans have been charged off, with total net losses of $21,000, or slightly more than 1/20th of 1%.)

Mr. Bodine called attention to the similarity of SBTL lending to consumer instalment credit: the loans are payable from income in instalments over several years. Loan interviews are with, and decisions are made by, commercial lending officers, using the facilities of the consumer credit department for handling the paper work and the servicing. The borrower receives a coupon book and his monthly payments are due over a 3-year period which may be extended to 5 years. The customary interest rates are 6% discount up to $3,500, and 6% simple interest over that figure.

Some of the typical borrowers are: retail stores, to modernize with new fixtures, flooring, etc.; small manufacturers, to buy additional machinery; doctors and dentists, to acquire better equipment; partnerships required to pay out the interest of one partner; all businesses that lack adequate working capital.

Mr. Bodine said the discipline of periodic repayments required of the borrowers was "sorely needed." The First Pennsylvania in addition usually insists on a simple loan agreement to protect it against adverse changes in the borrower's financial

condition. Provision must be made to give the bank an option to call the loan if the borrower's circumstances deteriorate substantially. Also, the bank is interested in discussing with him any plans for change or expansion of the business. It therefore normally provides for a working capital minimum, limitation on fixed asset expenditures, and on salaries, drawings or dividends, together with periodic financial statements, to make sure that the restrictions are not violated. These requirements give the borrower certain minimum standards, which tend to improve his lending relationship.

Small business term loans require a different credit analysis than the normal standards for 30 to 90 day notes, which are paid by seasonal turnover and conversion of inventories and receivables into cash. First Pennsylvania therefore has been customarily concerned with the security behind the loan—in the form of working capital or the borrower's equity cushion—to absorb unforeseen losses. On the other hand, small business term loans rely essentially on the borrower's earning power. More attention is given to profit and loss statements than to the balance sheets. The bank looks for reasonably consistent earnings, greater than the proprietor's or partners' living requirements. Repayment is tailor-made to the borrower's ability.

First Pennsylvania believes that the initial interview is the most important phase of the transaction, said Mr. Biborosch. All pertinent factors must be covered. The lending officer uses a printed check list or guide, during the first contact with the borrower. This material includes loan terms, documents, and other supporting papers. By stating its requirements in some detail during this interview, the bank has found that there is less resistance to meeting them.

Forms used and subjects discussed by the lending officers during the negotiations include:

Loan application and financial statement. This special form requests information about the business and the principals; it also reports assets, liabilities, operating figures, insurance carried, schedule of equipment owned, real estate holdings, and indebtedness. An auditor's report is acceptable in place of the financial statement and occasionally the bank will accept income tax returns which should accompany the application.

Note. A long form type instalment note is used, covering a wide area.

Borrowing resolution. This, of course, is the official authorization for officers or partners to make the loan.

Terms and rates. Although a hard and fast policy on amounts, terms and rates is impracticable, the bank has an established schedule: $500 to $3,500, 6% discount, 12 to 24 months; $3,501 to $10,000 a split rate, 6% simple on the part over $3,500, 12 to 36 months; over $10,000, 6% simple where practical, or lower if individual situations warrant. "As a rule of thumb, we believe this type loan warrants at least ½% higher than the applicant would be charged for unsecured temporary credit."

Business loan agreement. This covers purpose, limitations on withdrawals, minimum working capital requirement, limitation on investment in fixed assets in any year; security; and warranties such as supplying the bank with financial information periodically.

Collateral. The bank feels that collateral is desirable in many instances, perhaps not so much for its intrinsic value as its psychological effect on the borrower.

Others papers include **security agreement, power of attorney, landlord's waiver, insurance, partnership agreement.**

N.Y.C. Bank Co-sponsor of $2,500,000 Small Business Investment Company

FORMATION of the Empire Small Business Investment Company, Inc., is announced by its co-sponsors, Empire Trust Company and Carl M. Loeb, Rhoades & Co., both of New York City.

The new concern, capitalized at $2,500,000, was established under the Small Business Investment Act of 1958. It will provide funds to small or moderate-sized businesses with growth potential in any of the states and in Puerto Rico, said Henry C. Brunie, president of Empire Trust Company and president of the new company. It will also provide certain management services to borrowers on a fee basis.

The license was the 50th granted to a small business investment firm, the fifth issued to a New York City area company, and the 12th to a company formed wholly or in part by major banking organizations. The capital is the largest initial amount of any licensed to date, the announcement said.

"The entry of a major New York bank and an outstanding investment firm into the small business investment program," said SBA Administrator Philip McCallum, "is further evidence of the interest taken by large capital markets in the financial requirements of small business in this expanding economy."

Progress Made in A.B.A.'s Magnetic Ink Check Program

THE Bank Management Commission of the American Bankers Association announces that "some tolerances in the magnetic ink printing on bank checks now can be broadened safely." This should serve as a "further stimulus to the progress of the common machine language program," says John A. Kley, chairman of the Technical Committee on Mechanization of Check Handling and president of The County Trust Company, White Plains, N. Y.

The announcement marked publication by the Commission of a progress report listing 5 specifications which are relaxed for the printing of magnetic ink characters on checks. These include character spacing and alignment, character tolerances, voids, extraneous ink, and embossment.

The report says: "In Publication 147 (April 1959) there were 18 specifications set forth for the guid-

(CONTINUED ON PAGE 127)

A Practical Course for Bankers in Practical Politics

One Result: It Overcomes Political Timidity

C. ARTHUR HEMMINGER

The author is vice-president and public relations director of the First National Bank in St. Louis.

SIXTY officers and department heads of First National Bank in St. Louis are learning the facts of life about politics at a series of training meetings sponsored by the bank.

The meetings are based on the "Action Course in Practical Politics" which was developed in 1958 by the Chamber of Commerce of the United States while William A. McDonnell, chairman of the board of First National, was president of the C. of C.

Chairman McDonnell instituted First National's workshops in an effort to inspire bank men and women to become politically active at the grassroots level.

He began by inviting officers and supervisors to a meeting early last June at which the course was explained and voluntary participation—on the bank's time—was invited. Sixty officers and department heads signed up.

The meetings are conducted by Oren F. Miller, Jr., assistant vice-president, who last spring attended a pilot course for discussion leaders conducted by the Chamber of Commerce of Metropolitan St. Louis.

Scheduled into 1960

Eight sessions, with 20 officers and department heads in attendance, were held during June and July. The second series was begun on October 15 and a third series starts in 1960.

Additional courses will be presented during the spring of 1960 to meet the needs of officers and supervisors who missed the initial enrolment meeting.

The Action Course in Practical Politics is conducted entirely by the workshop technique and leans heavily on case histories. At each session the participants work on practical political problems for which there are no set solutions.

Chairman McDonnell explains the course and invites bankers to participate

An average of 20 officers of the First National Bank in St. Louis and St. Louis Union Trust Company signed up for each of the three "Action Courses in Practical Politics," conducted by First National Assistant Vice-president Oren F. Miller, Jr., who is shown seated at the head of the table

To check the practicability of solutions worked out by the group method, the course leader uses a manual that contains outlines to help give direction and purpose to discussions and to make sure that the participants settle those questions most helpful in developing a true grasp of practical politics.

As another means of keeping the course on the beam, state, local, and regional leaders of both the Republican and Democratic parties have been guests at the First National series, answering many questions about politics and campaign tactics.

Discussion leader Miller, in his opening remarks, said that many people are reluctant to participate

(CONTINUED ON PAGE 118)

Wheat Without Chaff

by Dick Ericson

...and Read

...and Read

...and read

...and Read

..but he just Couldn't keep up! Soon he was reading last week's material, then last Month's...

..until one day a pal who always seemed to have Plenty of Time told him...

SURE!! Let Them separate the Wheat from the Chaff! They Like to!

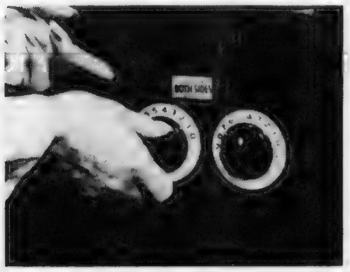
Just feed checks and **Recordak**

Automation takes over!

See how you can automate your microfilming operations with a Recordak Reliant® Microfilmer which does 3 jobs at once!

1. *Microfilms automatically.* The Recordak Reliant Microfilmer high-speed, precision feeder lets you microfilm up to 400 checks per minute. Just feed checks—it does the rest. Even stops checks that are stuck together so you don't have to worry about missed pictures.

2. Cancels or endorses automatically. Accessory endorser for the Reliant eliminates extra operations —cancels or endorses checks while you microfilm. Teamed with the Reliant's precision feeder, it all but ends possibility of missed cancellations or endorsements.



3. Indexes automatically. Kodamatic Indexing, an exclusive feature with the Recordak Reliant Microfilmer, "codes" your films automatically while you microfilm. Just set dials as shown and microfilm as usual. This gives you faster, easier reference with a Recordak Film Reader. The code lines (on film) lead you right to pictures you want in seconds.

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RECORDAK®

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An Interview with Joseph C. Welman Chairman of the A.B.A. Committee to Study Banker Education Programs

Setting a Pattern for Study of Banker Education

MR. WELMAN, *a past president of the American Bankers Association, is president of the Bank of Kennett, Kennett, Mo. His committee, whose plans he describes here, is part of the Association's Council on Banking Education, headed by Everett D. Reese, also a former A.B.A. president and now chairman of the board, City National Bank and Trust Company, Columbus, Ohio.*

Q Mr. Welman, it was announced last year that the A.B.A. would undertake a study of banker education. Has the study been started?

A. Yes. As you probably know, Dr. William H. Baughn of the University of Texas was appointed in September to work with our committee as project director for the study. Dr. Baughn now has shaped up his plans and the fact-finding work is under way. In May, he will go on leave of absence from the university to devote full time to the project. We hope to have our report ready by early 1961.

Q. How does your committee fit into the A.B.A. organizational setup?

A. The Committee to Study Banker Education Programs is an arm of the A.B.A. Council on Banking Education, of which Everett D. Reese is chairman. Funds for the study are being provided by the A.B.A.'s Foundation for Education in Economics.

Q. What are the purposes of the study?

A. The objectives are to get a clearer picture of banking's present and prospective educational needs, to match our current programs against these needs, and to determine in what directions we need to move in order to do a better job. This will mean a re-evaluation of the goals of such training and of the machinery we now have. We want to find out whether the right things are being done to the right extent; and, if not, how our existing programs need to be strengthened or expanded.

Q. Will the study cover the state bankers' schools and the regional schools, as well as the American Institute of Banking and The Stonier Graduate School of Banking?

A. Yes, it will cover educational programs provided for bankers at all levels of organized banking—national, regional, state, and local. We are going to look at the whole complex of bankers' schools, conferences, seminars, and so on, to figure out where the gaps are, what should be the role or place of each type of program in the educational scheme, and how the pieces can fit together in an efficient over-all pattern.

Q. Will the study get into the field of in-bank training, as well as banker education programs outside?

A. We are primarily concerned with the external programs. Naturally, however, we cannot ignore internal training and management development activities. One of our objectives will be to determine what types of training can best be provided inside the bank and which types can best be provided outside. Of course, small banks cannot go as far in their internal programs as large ones, and we shall have to take account of these differences.

Q. Will you get into the question of what types of vocational education should be provided in high schools and colleges to equip young people for banking careers?

A. No, that would be another study. Our study will be concerned strictly with adult professional education for people already in banking. We shall, of course, be concerned with the question of how the facilities and personnel of colleges and universities may be used in connection with our education programs.

For Senior Management

Q. How about educational programs for senior management? Will you he getting into that?

A. Yes. We are concerned with the educational or training needs of bank personnel at all levels of experience and responsibility — from clerical employees just entering banking right on up to senior management. It is a question of what types of training are needed at various stages of the banker's development as he moves up the ladder.

Q. A study like this could unquestionably produce important benefits for the larger banks. But what about the smaller ones?

A. The training and management development problems of smaller banks will come in for particular attention. As I remarked earlier, these banks cannot go as far as the larger ones in their internal training programs and they have to depend more on external aids. For those in remoter rural areas, utilization of A.I.B. and other educational facilities is difficult. It is vitally important that we figure out ways to provide more adequate assistance to these banks in developing their man-

power and providing for successor management.

I want to emphasize the matter of management succession because I am convinced that the strength and progress of our banking system will depend to a very considerable extent on the ability of smaller banks to meet and solve their management problems. An FDIC study of bank mergers over a recent 4-year period found that, in almost 40% of the cases analyzed, involving banks regularly examined by the FDIC, inability of the absorbed bank to replace management retiring was a principal reason for the decision to agree to a merger. In another 10% of the cases, weak management was the chief factor.

The smaller banks cannot afford to lag in giving attention to the next generation of bankers. It is here, I think, that we find one of the most critical problems in the banker education field, and also one of the most difficult. I sincerely hope we can come up with some constructive recommendations.

How It Started

Q. Mr. Welman, was there any special reason for undertaking this study at the present time?

A. The immediate impetus for it came from our State Association Section. A few years ago, the section conducted a factual survey of banker education programs sponsored by state bankers associations. Having collected the facts, the section's Committee on Bankers' Schools decided that the next step should be to analyze the present set-up and figure out where we want to go and how we can get there. At the 1958 convention, the section decided to ask the Council on Banking Education to undertake such a study as a logical follow-up to its own research.

I think most banking leaders would agree that this kind of study is long overdue. Tremendous changes have taken place in recent years. The number of new people coming into banking each year has risen sharply. The need for executive personnel has been acute, and new types of training have had to be provided to meet this need. The scope and complexity of banking operations have increased, and this means that bankers not only need more technical know-how than formerly, but a broader understanding of management principles and the role of banking in the economy.

Organized banking has striven mightily to meet this challenge. Old programs have been modified and a great many new ones have been developed. But these adjustments have had to be accomplished hastily, under urgent pressures, and we feel that the time has come to review the whole picture, to appraise the suitability and adequacy of what we have now, and to try to lay down the guide-lines for a more orderly, planned development in the future.

Q. How far do you plan to go in criticizing and evaluating particular schools?

A. We will, of course, analyze the various *types* of programs and try to appraise their relative merits and potentials. But we will not try to judge the performance of specific programs. Our role should be to provide the yardsticks or criteria which bankers' groups can apply themselves to measure the effectiveness of what they are doing.

Q. Mr. Welman, it would seem apparent that if your committee's recommendations are to carry real weight, you will have to work very closely with the state associations. How do you plan to do this?

A. At the A.B.A. convention in October, the State Association Section designated a committee of four state association secretaries to work with Dr. Baughn and my committee. This will give us a 2-way channel of communication by which we can keep the state associations apprised as to what is being done and draw on them for such help as may be needed. The chairman of this group is Jesse Helms, executive director of the North Carolina Bankers Associ-

(CONTINUED ON PAGE 120)

Secretaries Study Banker Education

Immediate impetus for the education study by the Welman committee came from the State Association Section, which, after a survey of its own, asked the Council on Banking Education, in 1958, to do further research. Below are members of the Eastern Secretaries Conference at their December meeting, where considerable attention was given to the study described on these pages. Seated, *left to right*, are: Belden L. Daniels, executive manager-secretary, Pennsylvania; William B. Elliott, executive manager-treasurer, Maryland; Albert L. Muench, executive vice-president, New York; Edward F. Matthews, secretary-treasurer, Delaware; Josiah B. Chandler, executive vice-president, Connecticut; Carl E. Bahmeier, Jr., executive secretary-treasurer, South Dakota, and president, A.B.A. State Association Section; Milton A. Roy, secretary, Rhode Island; Clyde S. Casady, executive secretary, Savings Bank Association of Massachusetts; Percy B. Menagh, executive secretary, Savings Banks Association of New Jersey. Standing, *left to right*, are: Preston L. Jordan, secretary-treasurer, Maine; Charles G. Carswell, Savings Banks Association of Maine; John Freeman, assistant executive secretary, Savings Banks Association of New Jersey; Harold W. Roberts, executive secretary, Savings Banks Association of Connecticut; George Amy, secretary, A.B.A. State Association Section, and Deputy Manager in charge of Country Bank Operations Commission. Mr. Freeman of the Savings Banks Association of New Jersey will become executive secretary of that organization when Mr. Menagh retires on January 31

"HELLO — A.B.A. ADVERTISING DEPARTMENT?

. . . *can you tell me*

how much a college education costs?"

"Yes, indeed. The answer is in our folder, 'Financing a College Education' - - just one of many folders prepared for bankers to distribute with monthly statements!"

Every week, the A.B.A. Advertising Department answers scores of banker inquiries like these:

"How much do banks our size spend for advertising?"

"Where can I get window and lobby posters?"

"What shall we feature in our bank booth at the fair?"

"How shall we celebrate our anniversary?"

"What's new in bank advertising?"

Have you a question about bank advertising? Ask the A.B.A. Advertising Department. And every month read BANKING for the latest news about A.B.A. advertising aids for member banks.

Largest paid circulation of any publication in the banking field.

BANKING

Journal of the American Bankers Association

This is one of a series highlighting a few of the many activities of the American Bankers Association.

Canada's First Bank Reports To U. S. Businessmen On A Significant Year

Two Wall Street—home of the New York Agency of Canada's First Bank and headquarters for information on Canada.

G. ARNOLD HART
PRESIDENT

Bank of Montreal
Head Office
Montreal

Gentlemen,

The year 1959 has been an eventful one for the Bank of Montreal in the United States. It has marked the one-hundredth anniversary of the establishment of the Bank's first office in the U. S. -- the first permanent establishment of a Canadian bank in this country. It has also marked the move of our New York office to its own building at the historic corner of Wall and Broadway.

Two Wall Street is truly "a new doorway to Canadian opportunity". The new quarters at this address enable the Bank to increase its facilities for serving the growing volume of U. S.-Canadian trade, as well as to provide greater convenience for its customers.

The year 1959 has also marked the completion of the first full year's operation of the Bank of London & Montreal Limited -- jointly-owned by the Bank of Montreal and the Bank of London & South America Limited. Formed in October 1958, the new Bank now has 20 offices in the Caribbean area and Latin America offering comprehensive services for North American businessmen with interests in that part of the world.

In Canada, the Bank of Montreal has again expanded its branch operations throughout the country, which it now covers with more than 800 offices from coast to coast.

The Bank of Montreal, which is Canada's first bank, is now sending forward to shareholders and to business friends its 142nd Annual Statement as set out below. As we enter our 143rd year in Canada and our second century in the United States, we welcome more than ever the opportunity to serve you and your company in the year ahead.

Yours very truly,

Arnold Hart

BANK OF MONTREAL

STATEMENT OF CONDITION—October 31, 1959

ASSETS

Cash on hand and due from banks and bankers	$ 302,015,952
Cheques and other items in transit, net	197,816,881
Government of Canada and Provincial Government Securities, at amortized value	680,591,333
Other securities, not exceeding market value	205,646,327
Call Loans	192,284,785
	$1,578,355,278
Commercial and other loans	1,353,187,079
Mortgages and hypothecs insured under the National Housing Act, 1954	227,153,276
Bank Premises	47,009,972
Customers' liability under acceptances, guarantees and letters of credit, as per contra	44,367,590
Other Assets	9,620,377
	$3,259,693,572

LIABILITIES

Deposits		$2,998,208,008
Acceptances, guarantees and letters of credit		44,367,590
Other Liabilities		15,767,243
Capital authorized—7,500,000 shares of $10 each	$ 75,000,000	
Capital paid-up—6,056,909 shares—issued and fully paid	$ 60,569,090	
Payments received on account of 18,091 shares not yet issued	80,423	
	$ 60,649,513	
Rest Account	139,628,928	
Undivided Profits	1,072,290	201,350,731
		$3,259,693,572

NOTE:
The rest account has been increased by the transfer of $3,000,000 from tax-paid reserves, $2,000,000 from undivided profits, and by $14,628,928 received as premium on capital stock subscriptions.
Completion of the present stock issue will result in paid-up capital of $60,750,000 and rest account of $139,850,000.

800 BRANCHES COAST-TO-COAST IN CANADA

NEW YORK 5: Two Wall Street • Gordon V. Adams, Joseph C. Kenner, John B. Lesslie, Joseph Jubb, Agents

CHICAGO 4: 141 West Jackson Blvd., Board of Trade Bldg. • Niels Kjeldsen, T. A. O'Donnell, Resident Representatives

SAN FRANCISCO 4: Bank of Montreal (San Francisco), 333 California Street, Albert St. C. Nichol, President

LONDON, ENGLAND—Main Office: 47 Threadneedle St., E. C. 2; West End Office: 9 Waterloo Place, S. W. 1

PARIS, FRANCE—European Representative's Office, No. 10, Place Vendôme, 1er

CARIBBEAN AREA: Affiliate: Bank of London & Montreal Limited, Head Office: Nassau, Bahamas

BANKING
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Business Building Bulletin

JANUARY 1960

IDEAS AT WORK

"No Spankum—Bankum" Service for Kids, Coffee for Grownups, Keep This Bank's Customers Happy

THE First National Bank of Odessa, Tex., keeps an eye on the comfort and happiness of customers young and old.

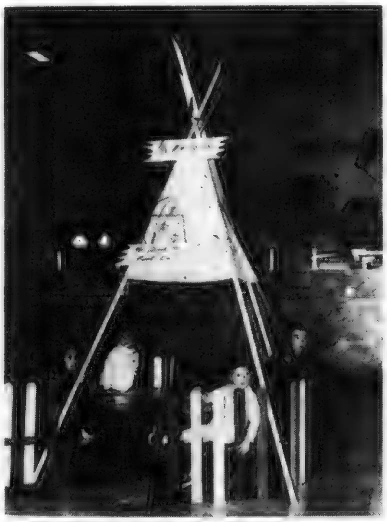
In the lobby there's a new kind of "kiddie korner," the Pee Wee Tee Pee, where mothers park their youngsters. It's regulation Indian (almost, anyway) as you can see in the photo. And the suggestion to Mom is "No Spankum—Bankum."

For the older generations, coffee is served to standees when lobby lines get long and tiresome.

Joe H. Hodges, senior vice-president, tells us that Mrs. Nadine Willbrand, a secretary, produced the teepee idea. She and her husband designed this imaginative corner and came up with the slogan, too. It was the result of a weekly department meeting.

"We were seeking a solution to the problem of children running and screaming through the lobby," says Mr. Hodges, "as well as the trouble created for mothers trying to take care of banking and junior at the same time. We keep the teepee well supplied with children's books. It's become quite a popular place with the younger set."

And of course the older folks like the free coffee.



Service for all ages at Odessa bank: a corner for visiting future customers, free coffee for today's. In the picture the bank's coffee room waitress, Willie Mae Batts, is serving customers as they wait to see a loan officer

The Ideas section of the Business Building Bulletin is by JOHN L. COOLEY.

"Appointment Banking" Aids Lobby Jam Problem

THE problem of lobby lines has been met at the Second National Bank of Ashland, Ky., by a system of "banking by appointment."

Customers with lengthy transactions—payrolls, intricate deposits—come in at assigned times. They're served in a small room off the lobby, and can read a magazine or enjoy a coke (on the bank) while waiting for the teller to complete their business.

It's a big success, reports Paul W. Grumbles, assistant cashier. The "appointment banking" teller handles about 25% of the deposits. Everybody's satisfied, and waiting has been reduced to a minimum.

Bank's PTA Program Promotes School Savings

HERE'S a school savings promotion that reaches the youngsters' closest friends, their fathers and mothers.

H. M. C. Durfee Trust Company, Fall River, Mass., has established a friendly liaison with the area's parent-teacher associations. Its representatives attend PTA meetings and provide a program enlivened with gifts and prizes.

In the summer the bank asks each PTA president for a date to speak to the group—preferably early in the fall when school savings gets under way. It attended some 20

meetings last year, and by this time the 1959-60 program is well under way.

Bank spokesmen talk at the sessions and distribute a mimeographed list of questions about school savings. Members are invited to request answers to such questions as interest them; the bankers, of course are there for just that purpose. Usually about 35 questions are asked.

Each person present gets a rain hat, cake cutter or other gadget. House banks are given away as door prizes.

F. L. Buswell, assistant treasurer, says: "We usually plan a program which will last about an hour, and we find that the fathers and mothers have a great interest in it. We pass the questionnaires to the people at the beginning of the meeting so that they will have a chance to look them over. They raise their hands and give us the question by number."

Here are sample questions: "Does the bank pay the same dividend on school savings as regular savings?," "What program has the bank for mother and father when they work?," "Should parents use children's school savings money for their obligations?," "Should parents put children on a budget of their own?," "What does Fall River need the most that a school savings account can make possible?," "What is the cost to a child when he loses his passbook?"

Charleston Bank Salutes Skippers, Ships

THE ships and skippers calling at Charleston were saluted by the Citizens & Southern National Bank of South Carolina in an observance featuring the old port.

Flying in front of the bank's main office were the flags of the nations whose vessels visited Charleston during the week — France, Great Britain, Japan, Holland, Norway, Sweden, Germany, Denmark, Israel, and the Union of South Africa.

Captain A. P. Praasma, master of the Dutch ship Sarpedon, was honored by the bank's president, Hugh C. Lane, as a representative of all foreign skippers in port. Inside the bank was an exhibit of ship models loaned by Charleston shipping companies. Flags of the lines, domestic and foreign, that call at Charleston decorated the lobby.

At the Charleston bank, *l. to r.*, Joseph Peining, vice-president, Carolina Shipping Co.; Captain A. P. Praasma, a Dutch skipper; and Hugh C. Lane, president of the C & S National Bank

"Tell-a-Friend" Plan Brings Business

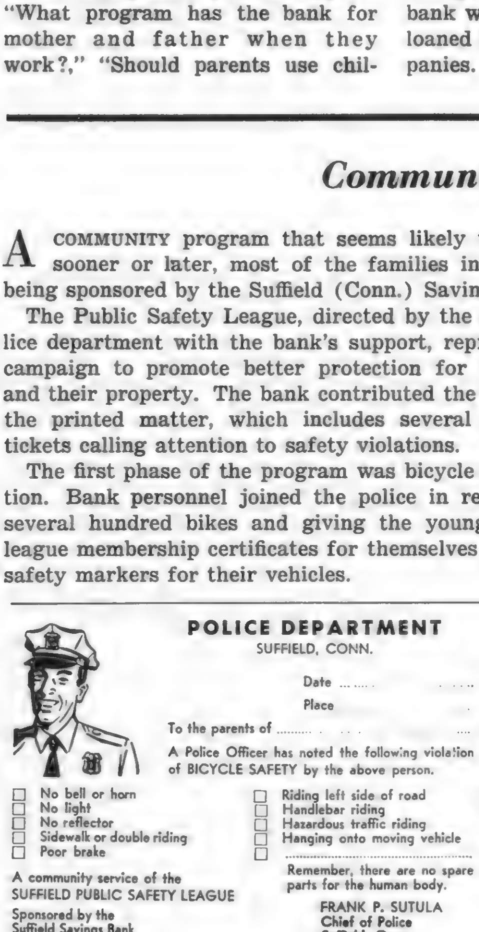
CHICAGO National Bank has a productive idea which Guy W. Stea-

Community Relations at Work

A COMMUNITY program that seems likely to touch, sooner or later, most of the families in town is being sponsored by the Suffield (Conn.) Savings Bank.

The Public Safety League, directed by the local police department with the bank's support, represents a campaign to promote better protection for residents and their property. The bank contributed the idea and the printed matter, which includes several goodwill tickets calling attention to safety violations.

The first phase of the program was bicycle registration. Bank personnel joined the police in registering several hundred bikes and giving the young owners league membership certificates for themselves and free safety markers for their vehicles.



POLICE DEPARTMENT
SUFFIELD, CONN.

Date ....
Place
To the parents of ....

A Police Officer has noted the following violation of BICYCLE SAFETY by the above person.

☐ No bell or horn
☐ No light
☐ No reflector
☐ Sidewalk or double riding
☐ Poor brake
☐ Riding left side of road
☐ Handlebar riding
☐ Hazardous traffic riding
☐ Hanging onto moving vehicle
☐ ....

Remember, there are no spare parts for the human body.

A community service of the SUFFIELD PUBLIC SAFETY LEAGUE
Sponsored by the Suffield Savings Bank
© 1959

FRANK P. SUTULA
Chief of Police
Suffield, Conn.

Here is one of the goodwill tickets issued by the local police in the safety drive sponsored by the Suffield Savings Bank

The campaign also stresses the danger of leaving car keys in ignition switches, unlocked doors and windows at home, store or office, parking violations, and infringements of the bicycle safety code.

Yellow tickets have been provided for each category. A policeman who finds a house or store window unlocked leaves a polite card reminding that carelessness invites burglary. When a cyclist is negligent, his parents get a ticket reporting the infraction and noting that "there are no spare parts for the human body." Another ticket is a friendly warning for minor traffic violations.

In a corner of each card appears this tie-in: "A community service of the Suffield Public Safety League sponsored by the Suffield Savings Bank." The series has been copyrighted.

Police Chief Frank P. Sutala wrote William S. Fuller, president of the bank, that the program was "the finest contribution to combined safety and community goodwill that I have experienced in my 12 years of police department work." The chairman of the village board of selectmen and the head of the police commission also applauded the project, which originated with Reginald J. Alden, the bank's public relations counsel.

Suffield Savings also sponsored house-to-house distribution by the police of "Guardians of Your Property and Welfare," a booklet that tells how to protect home and family.

Do You Have an Idea File?

At the recent FPRA convention somebody suggested that an idea file was a mighty good idea itself.

How many of the bank PR people in the room had one? Perhaps half a dozen of the hundred or more indicated Yes.

The suggestor went on to say that this method of storing information you hear at conventions or read in periodicals is simple and effective. A person can't remember all the ideas that come to his attention, but a few notes on a file card, or clippings from magazines, are handy memory joggers that can be surprisingly useful.

If we may put in a personal word, it's this:

Clip the BANKING stories that appeal to you — and those in other magazines, too. We publish many good ideas each month in the hope that you can use them. For the most part they have been tested in banks and are therefore practical.

A file is easily maintained. Why not start one? Its usefulness will please you!

gall, the public relations director, shares with readers of this department.

The bank credits $1.50 to a special checking customer for each new account he introduces, and 600 or more are thus obtained annually. Recently the plan was adapted to savings. So far the results there are approximately half what they are on special checks; however, the idea is still new in this department.

This "Tell-a-Friend" promotion is circulated through folders distributed in the lobby racks, occasionally with statements, and always with the material given customers when they open accounts. Each folder includes several introduction blanks.

A folder is also enclosed in the letter the department heads send to new customers a week or two after an account is opened. The new customer is invited to introduce friends at Chicago National and told that for each piece of business thus started his own balance will be credited with $1.50.

The plan has good public relations value, Mr. Steagall says. "Certainly there is nothing more important to a bank than the recommendation of a satisfied customer. This recommendation is the basis of the plan; the $1.50 is merely a token of our appreciation."

Chicago National also has two "silent salesmen" in the special checking department. They're friendly characters, approximately 4½ feet tall, cut out of processboard, painted, and dressed in flannel suits. Each holds Tell-a-Friend forms.

Chanukah Savings Club Is New Bank Service

The First National Bank of Allentown, Pa., this year started a new service for its Jewish customers: Chanukah Savings Club, similar to the bank's Christmas Savings Club.

"Because the Feast of Lights is a season of gift giving," said the announcement, "the bank feels that the members of the Jewish faith will welcome this means of systematically saving for gifts as well as innumerable other worthwhile purposes."

In a letter describing the club, Vice-president James O. Huffort mentioned the possibility that it was a "first" in the country. The bank had realized, he said, that "we had fallen short on our community responsibility, as far as the Jewish people were concerned, by not providing for them a service similar to that which we provide for others, to save during the holiday season." A folder describing the club accompanied the letter.

Pennsylvania Banks in Anti-Inflation Drive

The Pennsylvania Bankers Association and its Educational Foundation are sponsoring a statewide bank campaign against inflation. It dovetails with and supplements the work of the A.B.A. Committee on Economic Growth Without Inflation, headed by Pennsylvanian C. A. Sienkiewicz, president of Central-Penn National Bank, Philadelphia.

First project in the PBA campaign is an issue of statement folders, lobby posters, and newspaper advertising mats for member banks. The folder, keyed to the theme "Every Savings Dollar You Bank Is Your Blow at Inflation," urges customers to save more, to ask their legislators to vote against unnecessary expenditures, and to shop for value. The poster artwork—a boxer throwing a punch at inflated living costs—is also used in the ads, which carry a similar message.

The association's Educational Foundation has prepared a newspaper mat entitled "Who's Going to

This 4-color silk screen poster is being shown by members of the Pennsylvania Bankers Association which developed it as part of a statewide campaign against inflation

Stop Inflation?" It's an article over the signature of T. Allen Glenn, president of the Peoples National Bank of Norristown, and president of PBA. Radio and television scripts will also be available. Additional material is planned for early 1960.

Saving Can Be Fun, Says Ad Campaign

On the theory that most people would be better savers if their goals were attainable and enjoyable, the United States National Bank of Portland, Oreg., launched an advertising campaign stressing "Save for a Happy Day rather than for a Rainy Day." There are passbook jackets for vacation, stork, new car, education, and new home accounts. And there's a special cover for any goal not covered by the others.

The campaign started with large newspaper ads, radio and TV spots, and painted billboards with cutouts. The first ad, in verse, read in part:

"It's wise to save, you've heard it said,
For rainy days that lie ahead.
But we maintain it's just as wise
To save for what most satisfies!"

This Bank SELLebrated Its 125th Anniversary

A year-long staff sales campaign that compiled some impressive statistics was the method used by The Indiana National Bank of Indianapolis to mark its 125th anniversary, which fell on November 11, 1959.

Deciding to SELLebrate rather than celebrate, the bank began its plans early in 1958, devising a system of cash awards for new business obtained by all employees except officers. The campaign ran a full year, culminating with a gala birthday dinner-dance in November for every person who had qualified by producing new business.

The staff, says Vice-president R. Kirby Whyte, was divided into 30 teams. Immediately after a kick-off dinner the bank began a series of educational meetings to bring the employees up to date on all its services.

"We used a 48-week series of posters directed to our staff, which was devoted to the importance of good public relations," Mr. Whyte reports. All executives attended a three-day public relations school conducted by a PR consultant.

"The net result was a new awareness of the importance of new business growth, a better understanding of the many services we offer, a great esprit de corps, and a healthy competition among individuals and teams for recognition—and cash.

"What happened? We garnered 4,793 deposit accounts for a total of $11,264,013. We made instalment loans to 1,258 new customers amounting to $1,243,692, and 147 new trust customers accounted for $6,080,753. Other services including safe deposit rentals, travel services, and our college education plan brought us 547 additional sales.

"The entire SELLebration program adds up to these impressive figures: 6,925 sales and cash awards to our staff of over $31,000.

"The management committee is enthusiastic over the results, which exceeded expectations in every department.

"We made some mistakes," Mr. Whyte observes, "but we learned a great deal, too. We are currently considering a permanent program of this type. This fact is probably the most solid expression of the SELLebration's success!"

Fashions and Finance Combine at Forum

A woman's finance forum that included a fashion show attracted an audience of 500 to the civic auditorium in Kankakee, Ill. The First Trust & Savings Bank was sponsor.

There was a talk on investments by John H. Perkins, vice-president, Continental Illinois Bank and Trust Company, Chicago, and on women and money management by Mrs. Ivy Baker Priest, Treasurer of the United States. Current events made the program, too: Congressman Leslie C. Arends discussed the Khrushchev-Eisenhower visits.

During lunch, served by the Kankakee County Home Bureau, four local stores presented a style show. On the back cover of a leaflet describing the clothes was a list, "Latest Fashions in Banking." Here's a sampling:

"**Personal Checking Account**—make your figures behave — this season's fashion for paying bills.

"**Private Personal Loan**—when you can't control your figures or it's difficult to keep your balance, come in, ask for it by name—money—M-O-N-E-Y.

"**Trusts, Estates and Wills**—a guiding hand, in time of need, tailored to fit you perfectly. Eliminates many of the uncertainties of tomorrow."

Vice-president Walter J. Charlton tells us that the bank received many letters and telephone calls complimenting it on the forum, "We feel it has been extremely helpful not only in developing trust and other banking business, but much more in creating a favorable image of our bank."

Fidelity-Baltimore National Bank needed a branch in a hurry in the Mount Royal Plaza Redevelopment Center, Baltimore, and opened up shop in this temporary structure. Construction of two large state buildings in the area created such a need for banking facilities that F-B decided not to wait until a permanent building could be erected

Animated Slides Sell in Lobby, Window

Bank of Nova Scotia, Toronto, is using a new type of animated color slide display to sell specific services. Stories are projected in cartoon sequences on a large TV screen which can be placed either in

Title slide of a Bank of Nova Scotia animated display featuring animals. This one presents "Chippy the Cheerful Saver"

Survey Discloses Trends in Bank PR

Some rather clear-cut trends in bank public relations, and "several basic qualities of weakness," are noted in a report on a survey conducted by George J. Watts, vice-president, Republic National Bank, Dallas. He brought his findings to the attention of the Financial Public Relations Association.

Mr. Watts analyzed replies by 86 of the nation's largest banks to a questionnaire. A majority—65.1%—listed vice-presidents as the heads of their PR departments. Another 19.7% said assistant vice-presidents were in charge, while 9.28% have public relations directors in nonofficer categories. One bank's PR is directed by a second vice-president. In 2.32% of the banks an assistant cashier is the head man.

"For these minority levels," said Mr. Watts, "it would seem that the banks might consider up-grading their PR chiefs. At the very minimum, it would seem desirable that all public relations directors be official staff members.

"However," he continued, "it was in the lines of responsibility that clear-cut direction was most lacking. In only 47.6% of reporting banks is the public relations officer directly responsible to the president or to the chairman of the board, without intervention of various intermediaries. Obviously, the other 52.4% have at least some degree of short-circuiting in their communications machinery."

The survey also revealed that "many banks often delegate public relations responsibilities to officers who are specialists in other fields, such as credits, investments, etc. In the main," continued Mr. Watts, "it would seem that these individuals carry out their public relations functions as a sideline operation, apart from their chief duties, which lie in some basic banking specialty. I would counsel against this practice. I believe a bank of any size, from $10,000,000 upward in deposits, would do better to engage a full-time director of public relations and/or advertising."

The survey divulged that 31.39% of the participating banks leave the writing of annual report copy to public relations departments; the PR departments of 26.7% handle layout of the reports, and in 40.69% production is the public relations department's job.

Mr. Watts believes that "banks should at least call upon their public relations staffs for assistance in preparing annual reports." The bank lacking that kind of talent "is simply ignoring the basic reason for having a public relations operation in the first place."

He also counseled that public relations should not be subordinate to a bank's business development group. "In fact, the exact reverse relationship would perhaps be a more tenable position."

The questionnaire covering public relations activities was sent to the 125 largest banks, 86 of which returned detailed answers.

Alexandria (Va.) National Bank is catering to the canines. And why not? After all, it gives lollypops to kids, and many drive-up window customers are equipped with a dog! Anyway, each pooch arriving in a motor vehicle now gets a dog biscuit, choice of six flavors. (What'll these publicity people think up next?)

the lobby or the window; in the latter location the films are especially effective at night.

To give added entertainment value, the stories feature an animal: Chippy the Cheerful Saver, for example, is a chipmunk that discovers the value of a savings account.

A disc containing eight color slides is inserted on a spindle in the television set and a picture appears every 15 seconds. The bank plans to create new stories on a regular schedule.

This Special Service Had Special Results

The Mid-America National Bank, Chicago, was asked to disburse the extra week's pay which Leo Burnett Company, Inc., advertising agency, planned to give its staff just before Thanksgiving.

Deciding that the occasion should be really festive—and maybe productive of new business, too—the bank planned a surprise. When the ad people came to Mid-America they found the guards wearing Pilgrim costumes. A special room, decorated with the familiar harvest symbols, had been reserved for the distribution, and pretty tellers dressed as Priscillas handed out the checks. Light refreshments were served.

Door prizes were canned hams, frozen turkeys, and other Thanksgiving delicacies.

When the party was over Burnett employees had eaten 26 dozen doughnuts, drank 28 gallons of cider, and opened 23 new savings accounts.

Ideas in Brief

UN DISPLAY. Bankers Trust Company of New York used 11 display windows in a midtown office to help commemorate United Nations Week. The exhibition, sponsored by the American Association for the United Nations, depicted various activities of the UN and its agencies.

PERSONALITY. The private banking firm, Brown Brothers Harriman & Co., has published an attractive brochure describing its organization and services and outlining its history. Titled "The Personality of a Bank," the illustrated booklet tells the story "as we would describe our institutions and operations if you should talk with us at 59 Wall Street, or at our offices in Boston, Philadelphia, or Chicago."

STOPPER. Manufacturers National Bank of Detroit, which has a large three-dimensional money tree mural mounted in relief from a lobby wall, carries along the idea in a gift paper weight. Several coins are embedded in the plastic. Around the edge is a circle of type reading: "Fruit of the Money Tree." The item is being sent to friends of Manufacturers by President Arthur J. Fushman. The bank is also distributing a key ring with a small plastic attachment that contains a foreign coin.

CANADIAN TRUST SERVICES. The Royal Trust Company of Canada publishes "Trust Services for Corporations," for the information of nonresident companies and their Canadian subsidiaries. It describes the many fiduciary services usually performed in the Dominion by trust companies and not by chartered banks or their trust departments.

"Do-It-Yourself" Market Research

GEORGE WASEM

LET'S say it's early January. The call reports of the community's banks are displayed in the local newspapers. They show that our (hypothetical) bank's share of total deposits is down. This unfavorable trend continues for three years.

The obvious question is, "Why isn't our bank getting the community's usual business support?"

It's evident that if we are to find an answer to our problem we will need more complete information than that offered by condensed balance sheets.

It has been suggested that "research" will isolate our problem and give us a basis for solving it.

Reluctant to Start

But our hypothetical bank is apprehensive about research. We have done some statistical studies, as have many others, but we have not made any formal attitude, opinion, or market investigations.

We have been reluctant to take the leap into research, so to speak, for several reasons. Frankly, we find the subject too broad to understand fully. We're not convinced, also, that it would be possible accurately to relate the findings directly to the sale of our services. This is important to us, because our problem is sales, or, rather, the lack of them.

Finally, and this is probably the most important reason, we have been reluctant to do any research because of its cost. We know how much is too much for our budget. We know how much is too little to do the job. But we have not been able to determine exactly how much is just right for what we want.

While we have studied and talked about certain kinds of research during the past few years and still have not made any formal studies, we realize that our bank is doing many other kinds of research continuously. Here we are using the word in its broadest sense—"to collect and interpret data."

GEORGE WASEM, *vice-president at Commercial National Bank, Peoria, Ill., has been a frequent contributor to* BANKING. *Several articles on public relations and research have appeared here under his signature.*

For example, we are experienced and very efficient in investigating the people who do business with us. True, this research is of the "do-it-yourself" variety, but it does give us a knowledge of our customers.

Then why can't we investigate other or broader areas on an organized over-all basis? There's no logical reason why we can't.

Let's review one example of how our hypothetical bank might expand its activities in this field of research, in which it is already active.

Limiting the Problem

The call reports have spotlighted our problem. We know that if we expect to increase our share of the deposits, we must successfully sell our services to two main sectors in our area—business and consumer. We'll confine ourselves in this instance to the business group.

So, let's research that single audience. The initial step is to classify our business accounts in terms of size. For example, we will list our customers on the basis of the following balance intervals: less than $5,000; between $5,000 and $10,000; between $10,000 and $25,000; between $25,000 and $50,000; etc.

When this first step is completed, we divide the accounts numerically to learn what the largest 10% by number account for in percentage of our total deposits from all business accounts. We then do the same with the next 10%, etc. This phase of our study will tell us the distribution of our business customers by size of accounts.

We can then classify these accounts as to business activity. The classification breakdown we can use is the *Standard Industrial Classification**. This study is sponsored by the Bureau of the Budget and is used by the U. S. Department of Commerce, numerous state agencies, and many local trade associations.

This manual classifies the entire field of economic activity into divisions and major groupings. For example, the contract construction division includes firms engaged in three separate groups: (1) general contractors primarily engaged in the construction of buildings; (2) general contractors engaged in heavy construction such as highways and streets; and (3) special trade contractors specializing in activities such as plumbing, plastering, painting, and carpentering.

The next step is to learn the amount of total balance our bank has represented in each of these activities. Now we really do know where our business is coming from.

Study the Community

Having researched our current business, we can now look into who are prospects and where they will come from. To learn this, we research our business community to learn how much business there is in each classification of business. The publication we can refer to for this study is *County Business Patterns*. It consists of comprehensive data based on employment and payroll reports filed by the firms in our county. The study is published under joint sponsorship of the Bureau of Old-Age and Survivors Insurance and the Bureau of the Census and may be purchased from the Superintendent of Documents.

Here is an example of how we can use this reference. Suppose we find that the 21 reporting laun-

* Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

dries in our county employ a total of 577 people. One is in the 1-to-3 employee class; five have from 4-to-7 employees; three, 8-to-19; and so on. In other words this book lists, by county, the number of businesses in each classification, the number of employers, and the number on their payroll.

This means that we now can, in each classification, check accounts we already have against the total accounts in the particular counties in our marketing area. And now we know where business we're not getting, could be coming from.

County Business Patterns is helpful in measuring the maximum market potential of our bank. It is also valuable in measuring the effectiveness of sales efforts aimed at our prospects. We can use it to establish quotas for our call program.

Next, we want to know our prospects by name. One good way to turn this general statistical data into a prospect list on which we can act in our drive for new business is to turn to *Dun & Bradstreet* reference book. Supplementary lists are available to us through our local chambers of commerce, manufacturers' associations, and other business organizations.

To help satisfy our need for statistical information about the cities and small geographic sections as well as the counties in our bank's trade area, we can use the *County and City Data Book* prepared by the U. S. Bureau of the Census and available through the U. S. Printing Office.

Included is information covering population, trades, services, manufacturing, agriculture, and other subjects, including total and time deposits. For each county in the United States, about 150 items of information are offered. Over 125 items are included for cities with populations of 25,000 or more. Information is also presented for states and metropolitan areas. There are descriptive material and source notes to help us interpret the figures.

This "Data Book" is particularly helpful because it covers the selling and marketing units most important to our bank. It offers a complete economic picture of our city, county, state, and region.

Additional Sources

These new references are a small listing of the information we can use to research our problem and improve our competitive position.

BANKING has published many articles in this general field during the past two years, any of which may be of use to our hypothetical bank. Additional information prepared by Government sources can be found listed in the catalogs available at the office of the Superintendent of Documents or our nearest Department of Commerce field offices.

Our "do-it-yourself" research has made our problem much easier.

Let's Talk About College Loans

This Bank Sponsored a Panel for High School Guidance Directors

ESTHER O. LONGSTREET

MISS LONGSTREET *here reports how her bank, Peoples Trust Company of Bergen County, N. J., brought its educational-tuition loan plan to the attention of people particularly interested in helping young students. She is manager of the women's department in the Paramus office.*

IN the spring of 1959 the Personal Credit Department of Peoples Trust Company of Bergen County, Hackensack, N. J., announced an educational-tuition plan. The signature of both parents of a college-bound student could get a loan of $2,500 at 4½% per annum for a period of 24 months. Amount and time are the maximum to be allowed under the New Jersey law. (The bank's regular charge for a personal loan is 6% per annum.) The plan was advertised in the newspapers and by direct mail.

Personal visits with some high school guidance directors of Bergen County, in search of information about the financial needs of college students and their families, proved so interesting that I called upon all of the 40 high schools and six parochial schools in Bergen County. I found that the majority of guidance directors were not readers of bank advertising and comparatively few had seen the direct mail literature. They liked the attention from the bank and showed a desire to obtain information they could pass on to their students and parents. Federal college loan legislation, pending state legislation, and numerous local plans sponsored by service clubs, communities, etc., were also in the minds of the guidance directors.

At the student loan panel: *left*, David D. Blaisdell, director of educational services, president-elect of the Bergen County Guidance Association, and William A. Meyerhoff, assistant vice-president, Peoples Trust Company in Oradell

The visits to the high schools made us decide that the bank's plan should be reviewed. Before revision, we felt that a working meeting of guidance directors would be valuable to the schools as well as to the bank.

Peoples Trust agreed to sponsor a meeting on a date selected by the Bergen County Guidance Association. The time chosen was 4:30 to 8 P. M., which would permit the teachers to keep evening appointments. Attendance was distributed almost equally between men and women. All but five of 46 high

schools of Bergen County were represented.

Federal legislation on college loans was explained by Cornelius R. McLaughlin, specialist, Student Loan Division, Federal Department of Health, Education and Welfare. Dr. George Kramer, Dean of Admissions, Rutgers University, discussed the New Jersey loan plan, and Dr. Mary Mohair, principal of the Hasbrouck Heights High School reviewed the type of plan usual in many New Jersey communities. F. Clinton Spencer, vice-president in charge of personal loans at Peoples Trust Company, said the bank felt its responsibility in the field of student loans, and outlined their variety.

It was emphasized that college costs are at their highest point in history, and that for the average student in a publicly controlled institution the annual bill is $1,500.

Each of the 10 branch managers of Peoples Trust Company was invited to the meeting, which was held in a steak house and followed by dinner.

The reactions, verbal and written, were overwhelmingly favorable and appreciative. The guidance directors reported that they had seen a new side of a bank. Many said that they had gathered new understanding about state regulation of a bank, particularly rules affecting personal loans.

The largest community daily assigned a reporter to the meeting and Bergen County's weeklies carried the story.

Peoples Trust Company, as a result, is now working on several varieties of college loan plans to be presented to a committee from the Bergen County Guidance Association for its further suggestions.

Ideas That Promote Savings Development

SEVERAL useful ideas for savings promotion, developed by the "thought starter" questionnaire technique, were recently reported by members of the A.B.A. Savings and Mortgage Division to C. Arthur Hemminger, chairman of the Committee on Savings Promotion and Development and vice-president of First National Bank in St. Louis.

Using Boy Scouts as Mailmen

Granville S. Morgan, vice-president of the Philadelphia Savings Fund Society, reports that his bank, instead of mailing announcements of new services to residents of the immediate community, has them delivered by local Boy Scout troops.

"We pay the Scouts four cents for each letter," says Mr. Morgan, "and the troops are thus enabled to earn money for their favorite projects. The bank gets a good delivery job plus the good will of many members of the boys' families."

Treasure Chest Promotes Lobby Traffic

Mr. Morgan also reports that his bank recently placed a "treasure chest" in a new branch to help promote the branch and the shopping center it serves.

Shoppers visiting the center's supermarket were given keys and were invited to try them on the chest in PSFS's new office on opening day. Prizes included a $50 savings account, two prepaid vacation club accounts worth $20 each and a number of food certificates worth $10 and $5 redeemable at the supermarket. Coffee and doughnuts were served in the branch on opening day.

Coin Counter Brings 'Em in

A coin counting machine is operated continuously on the main banking floor of the Provident Institution for Savings, Boston, for the use of depositors and non-depositors. The machine is under the supervision of guards who count and package batches of coins for anyone requesting this service.

"We find that the placement of this machine on the banking floor has great advertising value and increases our lobby traffic considerably," says Leonard P. Chamberlin, vice-president. "Nearly everyone seems fascinated watching this equipment in operation—and many nondepositors who avail themselves of this service eventually open savings accounts."

Simple Mailer Adds 20% to Automatic Savings Volume

The Bank of America, according to Louis B Lundborg, executive vice-president and past president of the Savings and Mortgage Division, has had great success with an automatic savings plan introduced several months ago with a simple statement enclosure.

The enclosure—a four-page folder, "How to Save Without Even Trying"—was the sole promotion effort the bank made to re-introduce this service.

"We were so pleased with the results," Mr. Lundborg reports, "that our advertising department has now worked up a program aimed at promoting such transfers. The results of our initial statement enclosure was an increase of more than 20% in the number of automatic transfers from checking to savings accounts."

Christmas Idea Booklet for Club Customers

People opening Christmas Club accounts with First National Bank in St. Louis receive a 64-page syndicated booklet, "Digest of Christmas Ideas."

Containing useful information about Christmas customs and practices, it was written by an editorial board comprising clothing consultants, wrapping experts, mailing authorities, food specialists, lighting experts, and others whose special knowledge fits in with holiday season activities.

The bank also gives Christmas carol books with words and music to individuals and organizations. The opening of the Club is announced each year with giant telegrams sent to personnel managers in downtown office buildings.

Here are the reasons why **1 out of 5 banks insures through Scarborough**

Insuring banks exclusively, Scarborough men are more familiar with your bank's increasing loss exposures and what to do about them. Throughout the last 41 years, we have developed many *exclusive* All Risk and specially designed coverages to remove the hazards from your bank's growing commitments. Today, banks that insure with Scarborough are even covered against risks that no underwriter can now foresee, much less write into the policy.

In a brief visit—or correspondence—with a Scarborough man, you can learn more about your bank's unprotected or partially protected exposures than in five or six visits with one not so experienced in banking operations. The Scarborough man may point out areas of overlapping insurance that now waste your bank's insurance dollars. Or show you how to convert thin coverages into full coverages on your present budget.

At the very least, your conference or correspondence with such a banking *professional* can give you a clearer understanding of your bank's risk program requirements. Drop us a line.

Ask for our informative brochure on bank insurance, which includes a summary of all Scarborough coverages.

SCARBOROUGH & COMPANY
BANK INSURANCE
Since 1919

First National Bank Building • Chicago 3, Illinois

BANKING'S Spotlight on—

WINFIELD RIEFLER

Here, reviewed briefly by Herbert Bratter, *Washington correspondent of* Banking, *is the remarkable career of one of inflation's dedicated enemies.*

When Winfield Riefler sought what seemed like a well deserved raise of some $200 a year, he was turned down on the grounds that he was too young. That was in 1923 when he was working in the U. S. Commerce Department's office in Buenos Aires, Argentina. Today, as for the past 12 years, he is a member of the Department's Business Advisory Council. His official jobs, of course, are serving as assistant to the chairman of the Federal Reserve Board—a post he has held since 1948—and as secretary of the Federal Open Market Committee since 1952.

Many Accomplishments

Ever since the advent of the New Deal in Washington in 1933, Dr. Riefler has been in the thick of things economic and financial in too many capacities to list here. For example, he played a major role in fathering the FHA. He authored the margin provision in the SEC Act. He sparkplugged the RFC's action in paying off depositors of closed banks during the depression. He played a major role in the first interwar move toward international monetary stabilization, the Tripartite Agreement between the U. S., UK, and France.

It was Dr. Riefler, representing the Board, and William McChesney Martin, acting for the Treasury, who worked out the famous accord of 1951. Today as Chairman Martin's right-hand man, Dr. Riefler helps formulate Federal Reserve monetary and credit policies. A "veteran" of two world wars, Dr. Riefler is now engaged in a continuous war against inflation. "Inflation and growth are mutually incompatible. . . . Creeping inflation . . . is both cruel and dangerous," he holds.

"Win" Riefler was born in Buffalo in 1897. Amherst gave him his A.B. in 1921 and the Robert Brookings Graduate School his Ph.D. in 1927. At Amherst his professor of banking was Walter Stewart, who joined the Federal Reserve Board staff and in 1923 brought Win to Washington. There young Riefler worked on Latin American matters and on U. S. money market and credit conditions. While at the Board he wrote his Brooking's thesis, *Money Rates and Money Markets in the United States,* published in 1929. A result of his research was the table issued every Thursday by the Federal Reserve Board and published monthly in the *Federal Reserve Bulletin* entitled "Member Bank Reserves, Reserve Bank Credit and Related Items."

Dr. Riefler was secretary of the System's Committee on Bank Reserves (1930-31), which proposed a reserve based on velocity of bank deposits. From 1933 to 1935 he was "on loan" to the executive branch, being the first chairman of the Central Statistical board and serving as economic adviser to the President's Executive Council and its successor, the National Emergency Council. Leaving Washington in 1935 to become a professor at the Institute for Advanced Study, Princeton, N. J., a connection he held until 1948, Dr. Riefler undertook varied important assignments. He served as a trustee of the Institute, as a director of the National Bureau of Economic Research, as a special adviser to Secretary of the Treasury Morgenthau, as U. S. alternate member of the League of Nations Finance Committee, as director of the Philadelphia Reserve Bank, and other posts.

Wartime Activities

At Geneva he once was able to scotch a troublesome rumor about the U. S. price of gold, an action which endeared him to Secretary Morgenthau, who later enlisted his help in organizing the Treasury for the war. Dr. Riefler started plans for the Board of Economic Warfare and during the war was U. S. Minister in London in charge of our economic warfare activities. After the war he accompanied the Herter Committee to Europe. Last year Britain's Radcliffe Committee on debt management and monetary policy invited Dr. Riefler to London for two days' testimony as the committee's only American witness. For that committee's recommendations, however, Dr. Riefler claims no credit.

Dr. Riefler recently announced his retirement from his Government positions effective December 31.

Burning the midnight oil—for you

We call it "Operation 24"—around-the-clock check processing at The First National Bank of Chicago. Here's how it works:

We receive your items. They are then picked up, sorted and processed earlier for faster presentation and availability. Large or small, all checks and other items get the same attention and are sped on their way.

There's a real advantage for you when you use "Operation 24." Your checks and items are handled fast—efficiently. Call this bank today; a representative will be happy to explain to you in detail.

The First National Bank of Chicago

Dearborn, Monroe & Clark Streets • Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Banking agricultural leaders were thinking ahead to the future of agricultural credit when this picture was taken during the American Bankers Association's National Agricultural Credit Conference in Cincinnati. (Reported on page 76 of December BANKING.) *Left to right*, Jesse W. Tapp, chairman, Bank of America N.T.&S.A., and chairman, A.B.A.'s Economic Policy Commission and former chairman, Agricultural Commission; Carl A. Bimson, vice-president, A.B.A., president, Valley National Bank, Phoenix, and former chairman, A.B.A.'s Instalment Credit Commission; Royal L. Mullins, president, The Wolfe City (Tex.) National Bank, and member, A.B.A. Agricultural Commission; and Edgar T. Savidge, deputy manager, A.B.A., and secretary, Agricultural Commission

News for Country Bankers

This department is edited by MARY B. LEACH *of* BANKING'S *staff.*

The Agricultural Outlook

"FARM income is expected to decline further in 1960," said Ernest T. Baughman, vice-president of the Federal Reserve Bank of Chicago. "This would continue the contracyclical movement which resulted in a sharp increase in farm income in 1958 although the economy, over-all, was undergoing recession, and a decline in farm income in 1959 although recovery was quite general elsewhere in the economy," he said. Mr. Baughman spoke on "The Outlook for Agriculture" at the Conference of Bank Correspondents of The First National Bank of Chicago. Further points made by Mr. Baughman included the following:

The volume of marketings of farm commodities in 1959 was about the same as the large volume marketed in 1958; a somewhat larger volume is indicated for 1960, reflecting both increased supplies of meat animals and the carry-over effects of the large production of feed grains this year. Thus, cash receipts from farm marketings in 1960 would likely show only a small decline, but prices of equipment and supplies may rise somewhat further, with the result that net farm income will show a further decline.

Realized net farm income in 1959 is estimated at $11.2-billion, about 15% below 1958 but still above 1957. . . . Income in 1960 may show a decline of about 7%, to around $10.4-billion. At that level, net farm income would be the lowest since 1942.

On a per capita basis, however, the farm income picture looks quite different. Reflecting the decline in farm population, the per capita net income from agriculture, while showing sizable annual changes, has shown no clear-cut trend in recent years. The average for 1954-58 was $660. The income of farm residents from nonagricultural sources has shown a fairly consistent rise and has resulted in an upward trend in the income per capita from all sources of the farm population. The average in 1954-58 was $957, compared with $816 in 1945-49, for an increase of about 17%. However, the per capita income of the nonfarm population increased about 45% during this period. Also, as in the past, the average income of the nonfarm population is substantially higher than the average income of the population living on farms.

Rising total employment and personal income in 1960 is not expected to result in sufficient increase in domestic demand for agricultural commodities to offset the effects of larger supplies. . . .

Foreign demand for U. S. farm commodities and changes in export programs are expected to result in some increase in exports in 1960. Cotton exports are expected to rise

(CONTINUED ON PAGE 78)

"WE HAVEN'T LOST A DIME IN 12 YEARS OF FEEDER FINANCING"

—says John R. Lauritzen,
The Lauritzen Company of Omaha, Nebraska

"Our rural banks," says Mr. Lauritzen, "finance thousands of feeder cattle each year. They also provide capital for dairymen and feeding of hogs and sheep. In 12 years, we haven't lost a dime on such financing.

"We firmly believe in cattle raising on scientific feeding programs. So, the first thing we do when we acquire a bank is to start promotion on livestock. We have influenced many crop farmers to add cattle feeding to their operations, and we've seen their economic standing improve.

"From the standpoint of our banks, feeder loans are among the safest. They are self-liquidating and they build the community. I can't think of better paper."

* * * *

Rural banks in which Mr. Lauritzen is interested work closely with their Purina Dealers. They, like many other banks in agricultural areas throughout the country, find their Purina Dealers good "partners" in serving their communities.

QUALITY SERVICE

PURINA . . . YOUR PARTNER IN SERVING ANIMAL AGRICULTURE

(CONTINUED FROM PAGE 76)

from a very low level in 1958-59 and demand appears strong for fats and oils, oilseeds, fruits, vegetables, feeds, and rice. . . .

Lower prices for farm commodities and higher interest rates on real estate loans caused a slower rise in price of farm land in 1959 and may lead to a decline in value of land. However, the number of farms offered for sale remains small relative to demand and any decline in 1960 would likely be spotty and small. The demand for land to enlarge existing farms remains very strong.

If a healthy agriculture is to emerge during the 1960s, there must be an accelerated transfer of labor from agricultural to nonagricultural jobs; an accelerated enlargement of family farms as operational units (this does not necessarily require consolidation of ownership of land); and a rigorous selection of the managers of individual farms. These larger, highly mechanized farms probably will require more credit service of superior quality, a challenge to bankers all across the nation.

Farm Incorporation Benefits

THE farmer, through proper tax management, probably has more tax minimizing opportunities than any other type of businessman. One of those ways is by incorporating.

Robert Cherry, Texas Agricultural Extension Service economist and a speaker at the ninth annual Texas Farm and Ranch Credit School for commercial bankers at Texas A. and M. College, said tax saving is one of the main advantages of farm incorporating.

Assuming that a farm and its income are large enough to warrant incorporation, one saving would be on both estate and inheritance taxes. Better economy also could be practiced on income taxes, Mr. Cherry said. For example, the first $25,000 of a corporation's annual income is tapped only 30% by the Government.

Other advantages of such a legal step, he said, include more assurance of continuance of operation and it tends to keep the farm intact. It is easier to transfer ownership, as from father to son, with an incorporated farm. There are no complex trust plans involved. Finally, if the farm fails, liability does not all fall on one man.

10-Point Program

Another speaker, E. T. Savidge, deputy manager of the American Bankers Association and secretary of the A.B.A.'s Agricultural Commission, listed 10 ways to develop farm and ranch business.

His recommendations were to employ agriculturally trained personnel in banking; more intermediate-term lending and less of the 30- to 90-day notes; improved country bank-city bank correspondence and relations; cooperation with life insurance companies on long-term real estate loans, and establishment of agricultural credit corporations by banks if there is a real need.

Mr. Savidge said there is a trend toward indirect financing in agriculture, a situation which may see country banks by-passed as credit demands shift to the larger banks. Vertical integration and contract farming has helped bring this about.

Mr. Savidge also recommended

(CONTINUED ON PAGE 80)

A Look at the Farmers' Current Take of Food Dollar

THE answer to the question, "Why have retail food prices been rising while prices received by farmers have been on the decline?" may be found in a study made for the National Planning Association* entitled "A Current Look at the Farmer's Percentage of the Consumer Food Dollar." W. E. Hamilton, director of research, American Farm Bureau Federation, prepared the report.

"Over the last 45 years," the study states, "the farmer's percentage of the retail dollar spent for the market basket group of products has varied from a low of 32% in 1932 and 1933 to a high of 53% in 1945.

"It was 50% or more only in 1918 and from 1943 through 1948. It followed a downward trend from 1945 to 1956, except for a small recovery during the Korean incident. It was 40% in 1957 and 1958."

It was further pointed out in the study that "in 1957 consumers bought farm-produced food with a retail value of $50.4-billion. Of this total, an estimated $19.5-billion, or approximately 39%, went to pay farmers for producing the food. The remaining $30.9-billion, or about 61% went to pay costs which were incurred after the food left the farm."

But this is not the whole story: Both farmers and the various middlemen who moved farm-produced food through the channels of trade had expenses. For example, about 28% of the total retail food bill was paid out by middlemen as wages; a little over 7% was paid out for transportation which also involves labor; and about 22% was paid out for nonfarm supplies (the prices of which reflect some labor costs), interest, taxes (other than Federal income taxes), profits of unincorporated businesses, and miscellaneous expenses.

Corporate Profits 2%

With expenses of the above types totaling 57% of the retail food bill, and about 39% of the total going to farmers, 4% was left as corporate profits before taxes. Corporate profits remaining after taxes amounted to 2% of the retail food bill.

The marketing bill for all farm-produced food products increased $11.1-billion between 1948 and 1957 while the farmer's percentage was declining from 49% to 39%. The total farm value of food increased only slightly from $19.2-billion in 1948 to $19.5-billion in 1957. Thus, in the aggregate, the decline in the farmer's percentage from 49% in 1948 to 39% in 1957 reflects increased marketing costs, rather than reduced farm value. Average per unit farm prices were lower in 1957, but the volume marketed was larger than in 1948.

Of the $11.1-billion increase in marketing charges between 1948 and 1957, $5.3-billion went to pay increased labor costs; $3.5-billion went for equipment costs, supplies, taxes (other than Federal income taxes), and profits of unincorporated business concerns; $1.5-billion went for increased transportation costs; and $0.8-billion went to increased corporate profits *before taxes*. This increase in corporate profits was partially drained off by higher Federal income taxes with the result that, after taxes, corporate profits on the marketing of food were only $0.3-billion more in 1957 than 1948.

* 1606 New Hampshire Ave., N.W. Washington 9, D. C.

THE ROYAL BANK OF CANADA

Head Office, Montreal

JAMES MUIR
Chairman and President
K. M. SEDGEWICK
General Manager
A. F. MAYNE
Associate General Manager
(non-domestic business)

Condensed Annual Statement

as on 30th November, 1959

ASSETS

Cash on hand and due from banks (including items in transit)		$ 558,724,021
Government of Canada and provincial government securities, at amortized value		787,719,587
Other securities, not exceeding market value		472,429,923
Call loans, fully secured		366,068,424
Total quick assets		$2,184,941,955
Other loans and discounts		1,522,568,647
Mortgages and hypothecs insured under N.H.A. (1954)		291,756,158
Bank premises		45,925,659
Liabilities of customers under acceptances, guarantees and letters of credit		78,859,408
Other assets		5,606,834
		$4,129,658,661

LIABILITIES

Deposits		$3,777,620,441
Acceptances, guarantees and letters of credit		78,859,408
Other liabilities		17,157,316
Total liabilities to the public		$3,873,637,165
Capital:		
Authorized—10,000,000 shares of $10 each	$100,000,000	
Paid up—6,048,000 shares—issued and fully paid	$ 60,480,000	
Rest Account	195,020,000	
Undivided profits	521,496	256,021,496
		$4,129,658,661

Over 960 Branches

IN CANADA, ARGENTINA, BRAZIL, BRITISH GUIANA, BRITISH HONDURAS, COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO, DOMINICAN REPUBLIC, THE WEST INDIES AND BAHAMAS. OFFICES IN NEW YORK, LONDON AND PARIS. CORRESPONDENTS THE WORLD OVER.

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Auxiliary in France—THE ROYAL BANK OF CANADA (FRANCE)—*Paris*

NEW YORK AGENCY
68 William Street

JOSEPH W. GANANN, Agent
ROBERT M. CATTELL, Second Agent

(CONTINUED FROM PAGE 78)
that banks increase capital accounts to meet growing borrowing needs of the community and the demands for larger sized loans. And he said there is room for banks to practice more farm estate planning and trust management.

Cornell's Van Hart Retires

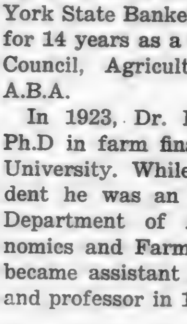
DR. Van B. Hart, a leader in the nation's farm finance program, retires on January 1 from the Agricultural Economics Department in the New York State College of Agriculture at Cornell. He is terminating his work as professor of Farm Management at the university ahead of the compulsory retirement age in order to devote more time to civic, religious, education, and other public affairs.

At various times, Dr. Hart has been consultant and advisor to the Internal Revenue Service and New York's Department of Finance and Taxation in revising income tax forms and regulations. He is the author of several books and has written numerous magazine articles.

In cooperation with the New York State Bankers Association, Dr. Hart planned the first Farm Credit School for Bankers and the first Bankers School for Agriculture in the United States. Since 1946, he has been academic director of the Cornell Bankers School of Agriculture and the Graduate Bankers Agricultural Seminar.

For 25 years he has served as agricultural advisor to the New York State Bankers Association and for 14 years as a member, Advisory Council, Agricultural Commission, A.B.A.

In 1923, Dr. Hart received his Ph.D in farm finance from Cornell University. While a graduate student he was an instructor in the Department of Agricultural Economics and Farm Management; he became assistant professor in 1923, and professor in 1927.



Van B. Hart

Economists Discuss Mississippi's Economy

Several hundred bankers and business leaders heard 20 nationally-known economists discuss Mississippi's economic prospects at a conference in Jackson on "Expanding Mississippi's Economy." Nat S. Rogers, president, Deposit Guaranty Bank and Trust Company, Jackson, presided at a luncheon meeting. The Jackson Clearing House Association was host at an informal reception preceding a dinner meeting. The conference was sponsored by the Mississippi Industrial Research Center's Committee on Mississippi Economy. The committee, a continuing study group, is composed of eight economists from the Mississippi universities and colleges, state and private agencies, and the Federal Reserve banks of Atlanta and St. Louis. Speakers included Dr. Lawrence E. Kreider, assistant secretary, Agricultural Commission, American Bankers Association.

Shown in the picture are, *left to right*, F. H. Hamilton Jr., executive vice-president, Peoples Bank, Indianola; Charles F. Haywood, the Chair of Banking, University of Mississippi, Oxford; Russ M. Johnson, chairman, executive committee, Deposit Guaranty Bank & Trust Company, Jackson; Alvis T. Hunt, assistant vice-president, First National Bank, Jackson; Mr. Rogers; Robert M. Hearin, president, First National Bank, Jackson; A. E. Roemershauser, vice-president, Whitney National Bank, New Orleans; and George Morgan, executive vice-president, Jackson-Hinds Bank, Jackson.

Federal Agency Competition

BANKS' No. 1 competitor for farm credit is the Government-fostered Farm Credit Administration System, which includes the Production Credit associations and the National Farm Loan associations, according to John W. Crocker, president of the Citizens National Bank, Decatur, Ill., and chairman of the A.B.A.'s Agricultural Commission.

Mr. Crocker, speaking before the Farm and Livestock Credit Conference of the New Mexico Bankers Association, commented that even beyond its Government subsidies, the Administration's services have been excellent. He gave these examples:

"(1) PCA loans average about 50% larger than bank farm loans. It comes as an unhappy realization to some that PCA's tend to do business with larger farm operators with larger equities than do banks.

"(2) Equity ratios of PCA customers tend to be comparable to those of bank customers — even though PCA's tend to lend to larger farm units.

"(3) If one were to include earnings allocated to the retirement of Government capital, the average of the capital funds of PCA's quadrupled from 1940 to 1957. In the foreseeable future, PCA capital will likely grow about twice as fast as the capital of banks serving farmers. Consequently, the ability of PCA's to serve larger family-type farmers will be strengthened.

"The A.B.A. will do everything within its power to attain and maintain a competitive farm credit situation—one in which no lender enjoys an unfair advantage by virtue of political interference, Government subsidy, or any other favored treatment which cannot honestly be considered a nonrecurring emergency," said Mr. Crocker. "Fortunately, you as individual bankers and community leaders by contacting your Congressmen can do far more toward attaining the goal of fair competition than can any one else."

(CONTINUED ON PAGE 134)

WHAT'S YOUR C.I.Q.?*

TAKE THIS SIMPLE TEST TO FIND OUT

KNOWING THE CORRECT ANSWERS TO QUESTIONS ABOUT CANCER COULD SAVE YOUR LIFE

1	Leukemia is cancer of the blood-forming tissues.	TRUE	FALSE
2	All forms of life, including plants, can develop cancer.	TRUE	FALSE
3	Cancer is not contagious.	TRUE	FALSE
4	More men than women die of cancer.	TRUE	FALSE
5	Pain is a late cancer symptom.	TRUE	FALSE
6	Cancer can strike anyone at any age.	TRUE	FALSE
7	A biopsy (examination of suspected tissue removed from the body) is the only method of proving whether cancer is present.	TRUE	FALSE
8	Surgery or irradiation, or both, are the only means of curing cancer.	TRUE	FALSE
9	An annual health checkup is one of the most effective weapons against cancer.	TRUE	FALSE
10	Over one million Americans are alive today, cured of cancer.	TRUE	FALSE

SCORING: 10: Excellent
6 to 9: Fair
5 or less: Danger! For your own protection, learn more about cancer. Write to "Cancer" —c/o your local post office.

ANSWERS: ALL TEN OF THESE STATEMENTS ABOUT CANCER ARE TRUE.

*CANCER INTELLIGENCE QUOTIENT

AMERICAN CANCER SOCIETY

Effect of Interest Rates on Capital Funds

LAWRENCE E. KREIDER

DR. KREIDER, *an agricultural economist, is assistant secretary of the Agricultural Commission of the American Bankers Association.*

IN THE normal course of upswings in business cycles, interest rates tend to go up, money becomes tight, bank loan-asset ratios increase and businessmen from all segments of the economy become increasingly interested in the problem of getting enough capital funds. Just such a year was 1959.

However, obtaining capital funds is more than a cyclical problem. It is long-run in nature, and is sometimes considered severe for rural areas. The latter reflects, among other things, the apparent need for rural banks to maintain relatively low loan-asset ratios.

There are many facets to the process of drawing capital funds to rural areas. The functions of the rate of interest are among the most important yet most misunderstood. Thus, an understanding of the desirable results interest rates can bring about is of special long-run significance to rural areas.

Interest Rates Either Attract or Detract Outside Capital

Capital funds tend to be concentrated in metropolitan centers. Thus, rural communities have to take positive steps to draw funds from the central money market to supplement accumulated capital and funds available locally.

This is where the interest rate comes into the picture. Local rate structures have a favorable effect on rural areas if allowed to seek a competitive level. Conversely, an artificial decline below the fair market rate in a rural area deprives it of capital funds from outside the area. This is not to suggest that rates should be permitted to respond to a degree of monopoly, or otherwise to rise to an artificially high level. However, a competitive rate is necessary if rural areas are to hope for their fair share of the nation's limited capital funds.

Interest Rates—A Practical Matter

The problem is a practical one. Happily, several private agencies facilitate the flow of funds from the central money market to rural areas. Correspondent banking serves this function in a manner well known to readers of BANKING.

Outside the banking system, insurance companies hold approximately $3-billion in farm real estate. In deciding how much to lend to agriculture, the prevailing rate of interest is and should be of primary consideration. Insurance companies have highly qualified personnel and the institutional machinery to serve farmers with a greater volume of credit. However, responsible persons would be negligent were they not sensitive to returns on diverse types of investments.

Permitting interest rates to seek competitive levels is not burdensome to farmers. For example, rates to farmers declined in mid-1958 and went up in 1959. In neither case did the change alter farmers' total costs by as much as ½ of 1%—a very small price to pay for the advantages gained from the degree of flexibility and competition which existed. Looking at the problem from the standpoint of the success of farmers, studies at Land Grant colleges have shown that the vital capital factor determining success or failure of individual farmers is whether or not they get adequate capital funds—not the rate they pay.

Forces Restricting Capital Mobility

Unfortunately, some forces tend to repress rate structures in rural areas and unfavorably distort the normal mobility of funds. Among these are indirect subsidies to Government sponsored agencies. For example, the Federal Land Bank System enjoys favored treatment in the bond market partly because of the close relationship, legal and otherwise, between the Federal Land Bank System and the Federal Government. In addition, the Federal Government subsidizes Federal land banks and National Farm Loan associations by exempting their net earnings from most taxes. Reflecting bond market and tax privileges, NFLAs were able to lend money at a ¾% to 1% lower rate in 1958!

Thus, the question, "Has this artificially lower rate structure repressed rates in rural areas and thereby discouraged a greater volume of private capital from flowing in?" Investors respond to a fair profit motive. *We must conclude that, in the long run, steps which depress the rate structures in rural areas below the fair market level reduce the net amount of capital funds those areas have at their disposal.*

Guides to Follow

Yet, the Federal Land Bank System can facilitate capital mobility. It could do so equally well were it to compete on a fair basis with other sources of credit!

However, to be most helpful to rural areas, Government sponsored credit agencies must operate in an equal, competitive manner lest the funds they lend fall into the onerous trap of "soft" money driving out "hard"—with the latter being of greater magnitude than the former.

An artificially low rate to any one industry or area may be more harmful to them than artificially high rates. The optimum level is that rate which permits each area to compete for needed capital funds on a fair basis. This is a practical goal.

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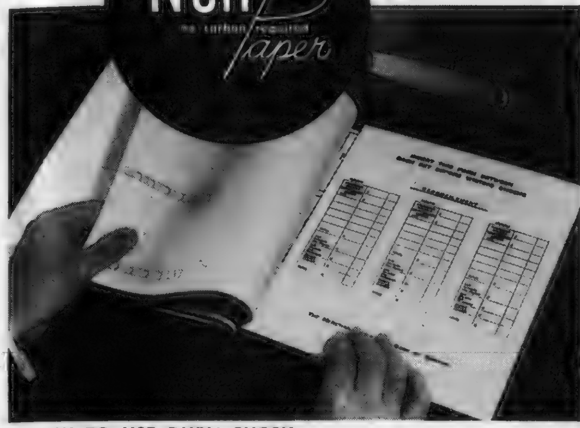

HOW TO USE DUPLI-CHECK:
1. Insert separator form under checks and copy sheet

2. Make out checks

3. Tear out checks (note exact duplication copy sheet)

4. Slip copy sheet under protective flap

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"By making an accurate record of all checks written, our Dupli-Check Book helps depositors keep detailed records of such transactions. It helps us save money by eliminating accounting problems that often arise from inaccurate depositor records.

"Using NCR Paper for our Dupli-Check has improved and increased the service we offer our customers. Moreover, we estimate NCR Paper returns its yearly cost every six months through time saved and increased efficiency, thus returning about 200% on our investment."

Clyde M. Smeathwaite
Vice President
The Merchants National Bank of Boston

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THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO
1039 OFFICES IN 121 COUNTRIES • 75 YEARS OF HELPING BUSINESS SAVE MONEY

Increased Size of Farm Loans Calls for Better City-Country Bank Teamwork

A Discussion of Credit Kit Prepared by the Chicago National Bank for Its Correspondents

DOUGLAS F. GRAVES

MR. GRAVES *is assistant vice-president of the Chicago National Bank and edits the bank's agricultural letter "Agricultural Observations."*

DURING the past few years we have seen many changes in agriculture. These changes have been associated with new and different concepts of farming. One change which will continue, and probably at an accelerated rate is the increase in size of unit managed and operated by each family. The successful livestock and poultry producers will continue to specialize and the size of their operation will increase at a faster rate than will the size of the grain farmer's operation. All this means agriculture is substituting capital for labor.

For years there was a surplus of money in most rural areas. Within the past few years this has changed. The excess cash in many instances has been invested in stocks, bonds, other savings institutions, etc. The farmer's excess funds are tied up in equipment, better homes, cars, etc. As a result, there is a shortage of capital in rural areas to support the business of farming.

Because of this condition, some procedure must be developed whereby capital can flow back to the rural areas. In industry and other business, it is an accepted practice to use bank credit for a few weeks to an entire year. Agriculture must develop a system of financing similar to industry which will permit farmers to use a revolving type of credit for year-round financing. Farmers need a line of credit to draw on as it is needed to purchase feed, livestock, fertilizer, machinery, labor, etc.

If this is the type of credit needed to put the new technology to use, it will be furnished by someone. If the country banker wants this business, he must be prepared to handle it.

Areas for Customer Expansion

There are many situations where country banks could improve and expand the services to their customers and to their communities if they had an outlet for excess credits originating locally. These situations arise in connection with loan requirements in excess of the bank's legal lending limit to one borrower and the temporary situation in which the bank is not in a position to make additional loans because of shortage of funds.

When this situation develops, a country bank has the right to expect his correspondent to help. However, when a city bank joins with a correspondent in providing funds for a farm operation, the city bank should be furnished with sufficient credit information upon which it can base independent credit judgment. Many loans are unnecessarily rejected by city banks because the credit information is incomplete.

We have found that many bankers do not keep adequate files and some even resent being asked for additional information. In the past when most loans were kept at home it was not necessary to keep "extra" data. However, today the size of many

(CONTINUED ON PAGE 86)

The bank's comments on loan applicant—one of the forms discussed by the author

EXHIBIT A

BANK'S COMMENTS

BORROWER'S NAME John Doe DATE Sept. 1, 1959

BORROWER'S AGE 48 ADDRESS Anytown, Illinois

BORROWER'S BACKGROUND (information regarding family, community interests, experience, etc)

"Mr. Doe has lived in this community for 15 years. Started farming after discharge from Army. Active in a local farm organization and has taken part in school and church activities. Has three children, ages 13, 10, and 8."

BORROWER'S OPERATION (brief discussion of farm operation, type of cattle fed, feeding program, etc.)

Operates 320 acres of own land and rents 120 on cash basis from father-in-law. Home farm considered one of the best in area. Last year he had average corn yield of 90 bu. per acre. Cattle program consists of feeding yearlings and calves. Yearlings purchased early to go on grass before going into the feed lot. Calves fed on silage over winter and finished out on grass next summer. May be an over-lapping of cattle when calves are still on farm when new yearlings are purchased. Farrows 30 litters hogs per year. Just average hog man and fits program to the work.

YOUR BANK'S EXPERIENCE WITH THIS BORROWER (your appraisal of the borrower, maximum amount loaned in the past, present line, etc.)

One of our best farmers. Has made progress every year and always paid notes when due. Normal borrowing is for cattle and operating expense. Borrowed as much as $50,000 for cattle and $10,000 for operating expenses. Pays cash or borrows from us for all purchases of feed, machinery, etc.

PRESENT OBLIGATIONS (all sources of credit, merchant, bank, etc.)

Total obligations except for current bills is $59,460, represented by following:

83 -	1000 lb. calves - 1958	$ 7,000
120 -	700 lb. steers @ .32	26,880

NEWEST IDEA
IN DEPOSITORY
SECURITY
and STYLING

DIEBOLD
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Over 100 Years of Leadership

DIEBOLD POLARIS

after-hour DEPOSITORY*

Here is a dramatically new idea in an After-Hour Depository! The new POLARIS by Diebold brings to your customers the convenience of 24-hour banking . . . does so in a stainless steel setting that is fashioned to add to the good looks of any bank's architecture.

And the POLARIS depository combines certified security with its smart new styling. The Underwriters' Laboratories label attests to the anti-fishing, anti-trapping protection embodied in POLARIS depositories, protection covering both envelope and bagged deposit sections.

Available in a wide choice of models including flush and recessed types, POLARIS depositories by Diebold represent an important forward step in customer convenience for your bank. We'll be happy to send you illustrated literature on POLARIS depositories without obligation. Simply use coupon below.

The term "After-Hour Depository" is a Registered Trade Name of Diebold, Inc.

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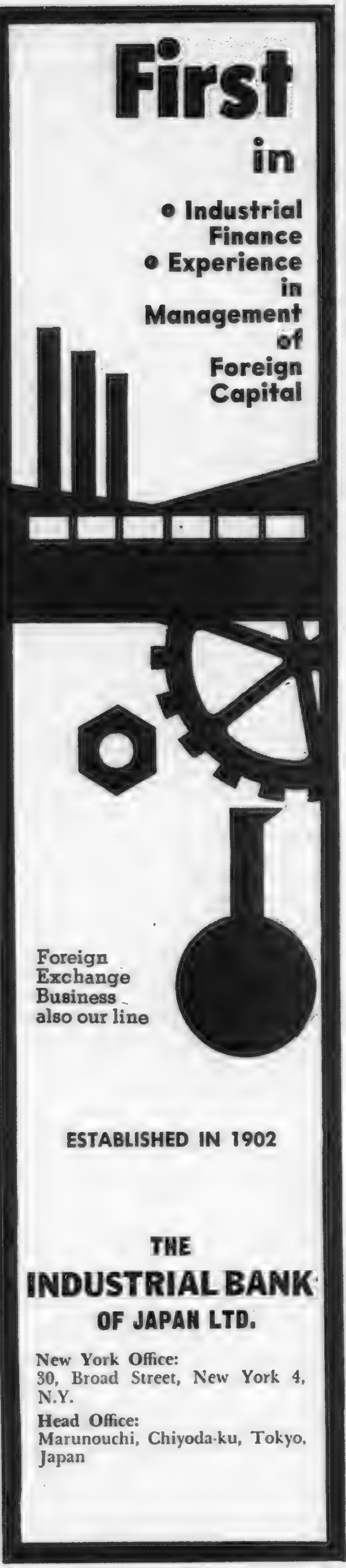
CANTON 2, OHIO
GENTLEMEN: Please send me without obligation complete information on the new POLARIS after-hour depository.

NAME ____________________
BANK ____________________
ADDRESS ____________________
CITY __________ ZONE ____ STATE ____
DIB-815



(CONTINUED FROM PAGE 84)

loans makes it imperative that more adequate information be available if we are to participate in these loans.

In an effort to obtain from correspondents some uniformity of information on loans submitted, we prepared a sample agricultural credit kit. This kit was a combination of what we considered the best procedures used by banks submitting loans to us. Few of the ideas in the kit were new, but it did arrange the ideas in such a way as to clearly present all credit information needed. In the short time this kit has been available, we have noticed a marked improvement in the credit information submitted with loans. With information submitted in this manner, loans can be accepted and processed in a minimum of time.

The following is a brief summary of the information we request on the forms in our credit file kit:

Bank's Comments on Borrower

These are comments by the correspondent about the borrower and his farm operation. It is suggested that this data form provide detailed information regarding the originating bank's past experience with the borrower, the purpose of the loan, repayment program, etc. Of primary importance is the establishment of the maximum amount of credit to be extended from all lending sources prior to liquidation of the loan.

Financial Statement and History

A financial statement in order to be given its proper weight in credit analysis, must be of recent date, complete, and signed. The number, weight, and value of livestock as well as an inventory and value of feed and grain must be stated. Historical financial information covering the borrower's operation for several years enables the reviewing officer to quickly make comparisons and note progress from year to year. When appropriate, financial information should also be submitted applicable to individual partners, cosigners, endorsers, or guarantors.

When a large portion of the borrower's net worth is in fixed assets, a title check should be made on real estate listed in the statement. It may also be advisable to have a check on chattel mortgage recordings.

Credit File Record

Every bank has its own system of keeping records of contacts with its customers. Many banks, large and small, have found that a diary type record is an easy way of keeping all officers posted as to commitments, plans, etc. The following is a sample of one such entry:

9-15-58 Purchased 80 calves, 400 lbs. @ $34. Total cost and loan $10,880. Rate: 5-½%. Chattel has been recorded. Borrowed $5,000 for fertilizer to be plowed down. Will repay when beans are sold Jan. Rate: 6%. Total loans: $59,460.

Sold notes to Chicago National Bank—$26,880 cattle note and $5,000 production note ($31,880). Our loans $27,580; C.N.B. loans 31,880; Total $59,460.

Supplemental Papers

The use af a loan guaranty agreement can save much time and inconvenience for the bank and the borrower. This eliminates the necessity of a wife or other guarantor cosigning every note. Partnership agreements and legal papers appointing individuals as trustees or agents, etc., should be included.

Participation Certificate

The use of a participating certificate eliminates the necessity of endorsing and forwarding the borrower's note to a correspondent. The note thus remains unmarked and in the continuous custody of the originating bank. Such arrangement makes it possible for banks to work together and it is not necessary for the customer to know that part or all of his loan has been transferred to another bank.

Participation arrangements, when properly handled can do much to strengthen the country banker's position with his customer. With such a cooperative program with his correspondents the country banker becomes large enough to take care of his customer's needs regardless of the size of the loan.

We feel that if a country banker is to provide a complete credit service to his community, he must be prepared to help those individuals who need and deserve credit. In areas where banks have failed to work together, Government sponsored credit agencies and industry have stepped in to supply the needed capital.

THE BANK OF NOVA SCOTIA

ESTABLISHED 1832 · 579 OFFICES ACROSS CANADA AND ABROAD

CONDENSED STATEMENT, OCTOBER 31, 1959

ASSETS	1959	1958
Cash, clearings and due from banks	$ 260,975,131	$ 247,872,764
Securities - - - - - - - - -	373,792,340	467,091,259
Call loans - - - - - - - - -	106,328,450	133,136,698
Total quick assets - - - - -	$ 741,095,921	$ 848,100,721
Other loans and discounts - - -	1,044,339,895	797,867,038
Acceptances & letters of credit - -	29,962,403	31,253,962
Bank premises - - - - - - - -	22,913,240	18,289,450
Controlled companies - - - -	8,248,521	6,419,206
Other assets - - - - - - - -	935,963	2,094,616
	$1,847,495,943	$1,704,024,993

LIABILITIES	1959	1958
Deposits - - - - - - - - - -	$1,721,044,455	$1,595,474,227
Acceptances & letters of credit - -	29,962,403	31,253,962
Other liabilities - - - - - - -	7,147,249	6,011,237
Total liabilities to the public -	$1,758,154,107	$1,632,739,426
Capital paid up - - - - - - -	21,579,880	18,000,000
Rest account - - - - - - - -	66,439,640	52,400,000
Undivided profits - - - - - - -	1,322,316	885,567
	$1,847,495,943	$1,704,024,993

STATEMENT OF UNDIVIDED PROFITS FISCAL YEAR ENDED OCTOBER 31

	1959	1958
Profits after reserves for depreciation & contingencies - - - - - -	$ 12,247,713	$ 10,391,477
Income taxes - - - - - - - -	6,345,000	5,150,000
Net profit - - - - - - - - - -	$ 5,902,713	$ 5,241,477
Dividends declared - - - - - -	4,665,964	3,960,000
Undivided profits - - - - - - -	$ 1,236,749	$ 1,281,477
Undivided profits brought forward	885,567	1,604,090
	$ 2,122,316	$ 2,885,567
Transferred to rest account - - -	800,000	2,000,000
Balance of undivided profits - -	$ 1,322,316	$ 885,567

F. WILLIAM NICKS, *President* • J. DOUGLAS GIBSON, *General Manager*

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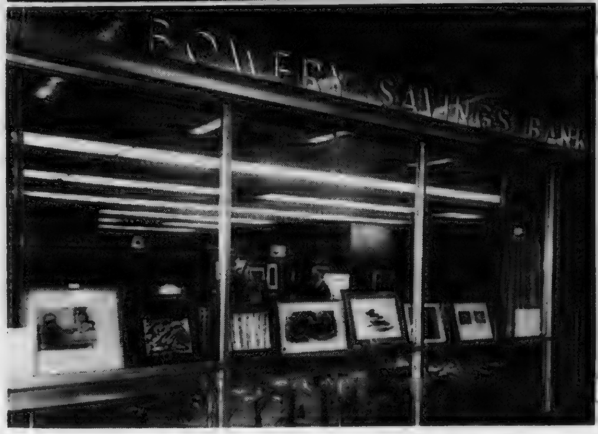
Highlights of the Recent

(1) Paintings and bronzes borrowed from Art: USA: '59 (an exhibit at New York's Coliseum) appeared at Union Square Savings Bank, N. Y. *Left*, Norman Critchley, the bank's assistant treasurer; *right*, Frank McLoughlin, treasurer, who has been interviewed about the bank's art shows on local radio. (2) Personnel of nearby firms entered art for display and contest at Union Dime Savings Bank, N. Y. Winners of $25 accounts, both American Airlines personnel, appear flanking Herbert G. Zilliakus, vice-president. (3) LaSalle National Bank, Chicago, gives gallery space to Art Rental and Sales Collection of the Art Institute of Chicago, to foster rental and sale of works by Chicago artists. (4) Also sponsored by Union Dime: throughout the summer, daily recorded noon-time concerts in a park, culled from New York Public Library's extensive record collection. (5) Chicago City Bank and Trust Company's gallery shows one prominent artist each month. *Left*, Norbert Smith, first exhibitor; *center*, W. Norbert Engles, bank president; *right*, Frank J. Burke, executive vice-president. (6) Bank of the Southwest, Houston, displayed employee art. *Left*, Norma Biggs, coordinator of the exhibit. (7) A string quartet performed semi-classical music while canaries sang and hostesses poured tea at Manhattan Savings Bank (N. Y.) during a series of Friday musicales from 5 to 6:30 P.M.

Art Season in Banks



Top: Paintings and objects of recognized art value are more frequently being used as important decorative parts of bank interiors. Permanent collections and murals by artists of note draw both public attention and appreciation. Here's a portion of a 124′ x 20′ mural of local western lore painted by Western artist Les Peters on an entire wall of Montana Bank in Great Falls; _center, left:_ In cooperation with the National Kindergarten Association, Bankers Trust Company, New York, exhibited the best art creations of some of the nation's youngest painters, commemorating 50 years of kindergarten promotion by the association. This window exhibit incorporated some 15 panels of work by five-year-olds throughout the country, and rotated through five offices; _center, right:_ North Side Savings Bank, New York City, exhibited oil paintings of students at Fordham University Adult Education classes. Over 25 paintings were displayed. C. William Borchers, president of the bank stands before the exhibit with one of the students; _lower left_, a windowful of outstanding works of art exhibited by Bowery Savings Bank in New York City. This collection of works by contemporary professionals, all prizewinners in Greenwich Village art shows, includes water colors, caseins, oils, drawings, color woodcuts, sculptures and many other art forms; _lower right_, a prize-winning alligator, one of 1,400 entries in Council Bluffs, Iowa's first Public School Art Fair, is held by Robert Emerine, cashier, and examined by Robert Turner, president, of City National Bank. The bank cooperated with local school officials and entries were shown in a parking garage near the bank. Prints, designs, paintings, drawings, and 2- and 3-dimensional works were entered

A Favorable Climate for Growth

Bank of Canada takes a firm stand on the roles of savings and inflation in the nation's growing economy

CRITICS of Canada's commercial banks for restricting credit in some directions (to speculators and other less credit-worthy customers) during this period of tight money have been silenced by the last annual classification of loans of these institutions. It might be explained that at this writer's suggestion one of the largest banks had a classification made by all its branches across Canada, about 800, when in the great depression financially ignorant politicians claimed that banks lent money only to the big interests. Later at the request of the central bank, the Bank of Canada, this procedure was adopted by all the commercial banks, each institution reporting its figures to the Canadian Bankers Association which consolidated them and reported the total to the financial authorities in Ottawa. Still later this general classification was made a requirement under the bank act which governs the operations of the commercial banks.

Totals as of September 30

The last classification at September 30 showed loans made by nearly 5,000 bank branches aggregating $6,323,900,000 (excluding mortgage loans of over $900,000,000). The classified loans rose by 23% in total amount and by almost 130,000 in number from the same date in 1958. The largest number of loans, 1,100,000 totaling $1,153,700,000, were made to small borrowers for nonbusiness purposes, an increase of 9% in number and of about one-third in amount. Farmers and ranchers had over 290,000 loans outstanding, amounting to more than $400,000,000; 10% greater than a year previous. Government and other public services, nearly 10,000 in all, had borrowed about $469,000,000 or 26% more than at September 30, 1958. Investment dealers' and brokers' borrowings exceeded $150,000,000, somewhat more than those recorded in the previous annual classification. Industrial and commercial loans rose by $738,000,000 to $4,133,700,000 between the two dates, with the number increasing 5% to nearly 230,000.

The increase in industrial and commercial loans was due partly to the strike in American iron mining and steel fields. Anticipating this stoppage for some months Canadian steel mills, automotive industries, and large construction concerns stockpiled all such basic materials that they could get from their American suppliers and relied on their bankers in Canada for much of the relative financing.

Monetary Policy Announcement

Breaking a long silence on its monetary policies the Bank of Canada recently made these public in a statement by its governor which should be of more than passing interest to American bankers, investors in Canadian securities, and concerns with subsidiaries in Canada. Extracts from this statement follow:

"Monetary policy shifted gears in Canada in August 1957, and by the end of the year the total of currency and bank deposits had risen substantially. In the United States, where the discount rates of the Federal Reserve banks were raised in August 1957, an easier policy became apparent in October and discount rates were reduced in November. In both countries, prices of Government securities rose and yields or interest rates declined. Bank loans leveled off or declined owing to reduction in demand, particularly as inventory accumulation changed to inventory reduction. From the end of July 1957, to the beginning of October 1958, total currency and bank deposits in Canada rose by $1.8-billion or 16%. In the U. S. the increase was 6%.

"After the beginning of October 1958, the total stock of money (as here defined) remained fairly stable in Canada, but continued to increase in the United States. By the end of September 1959, the increase in Canada from the pre-recession level was 15% and in the United States about 10%.

"In both countries the increase in gross national product from the previous peak in the third quarter of 1957 to the second quarter of 1959 was approximately 8%.

A Large User of Capital

"The fact is that for some years the Canadian economy has been obtaining and utilizing capital on a scale that few countries have ever experienced. Gross public and private investment has been running at 26% of gross national product, compared with about 18% in the United States. Canadian domestic saving (including provision for depreciation) has been 22% of GNP. This saving rate is not low in relation to other countries—it is higher than in the United States—but it is obvious that we cannot utilize capital on the scale indicated without either a still higher rate of domestic savings or a high rate of importation of capital, that is, borrowing the savings of other peoples in other lands than ours. (Personal savings in Canada in recent years has averaged about 6% of personal income after tax, compared with 7% in the United States.)

"There could, in my opinion, be no more erroneous and no more damaging confusion of thought than to believe that inflationary monetary policies promote economic expansion. History proves that the opposite is true and that inflation is the insidious and deadly enemy of growth. Money and the management of money have, indeed, an important positive contribution to make to the process of growth."

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE - TORONTO

CONDENSED STATEMENT AS AT OCTOBER 31, 1959

ASSETS

Cash Resources (including items in transit)	$ 410,020,511	
Government and Other Securities	887,339,022	
Call Loans	199,756,578	
Total Quick Assets	$1,497,116,111	
Loans and Discounts	1,200,442,400	
Mortgages and Hypothecs insured under the N.H.A., 1954	186,611,352	
Customers' Liability under Acceptances, Guarantees and Letters of Credit, as per contra	32,552,422	
Bank Premises	38,350,192	
Other Assets	21,147,461	
Total Assets	$2,976,219,938	

LIABILITIES

Deposits		$2,753,782,801
Acceptances, Guarantees and Letters of Credit		32,552,422
Other Liabilities		13,055,458
Shareholders' Equity		
Capital Paid Up	$ 53,971,132	
Rest Account	119,736,489	
Undivided Profits	3,121,636	176,829,257
Total Liabilities		$2,976,219,938

STATEMENT OF UNDIVIDED PROFITS
Year Ended October 31, 1959

Balance of profit for the year before provision for income taxes but after making transfers to inner reserves out of which full provision has been made for diminution in value of investments and loans	$23,168,380
Provision for income taxes	12,050,000
Balance available for distribution	$11,118,380
Dividends	9,163,828
Amount carried forward	$ 1,954,552
Balance of undivided profits October 31, 1958	1,167,084
Balance of undivided profits October 31, 1959	$ 3,121,636

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PRESIDENT

J. P. R. WADSWORTH
GENERAL MANAGER

Can Bank Examinations Be STREAMLINED?

"Yes," says the author as he discusses specific areas where duplication and overlapping can be reduced. In a previous article* he pointed the way to greater efficiency in bank examinations and audits.

* *Can Bank Examination Costs Be Cut?* December 1959.

HERBERT E. KIRMMSE

BANKERS have insisted on top efficiency and firm cost controls in most areas, but few have made an issue of the overlapping and duplication in the ever-increasing number and scope of bank audits and examinations. Even a brief review of the specific tasks performed by the independent and by the internal auditors shows where greater economy and efficiency can be achieved.

Independent Accountants

Independent accountants and auditors occupy a unique and increasingly important place in the performance of bank audits and examinations to the extent that some states now require banks to employ them for specified purposes. The use of the term "unique" is intentional, for independent accountants represent the personal selection by the directors as their special assistants in making directors' examinations. This kind of relationship is not expected to be found with the other two examining bodies—the internal auditors and government examiners. The scope of the examination, as is true in any engagement of accountants, is largely determined by the desires of the client and the amount to be expended.

Several CPA firms specializing in bank audits have acquired extensive experience in this field which is tapped by many of the larger banks, including those with top-notch internal auditing staffs. Directors of these banks want the reassurance from such outside firms, based on a periodic review, concerning the effectiveness of their own auditing safeguards and internal controls.

Mr. Kirmmse is a member of the New York State Society of Certified Public Accountants and serves on both the faculty and board of governors of the New York chapter of the American Institute of Banking. He is a supervising bank examiner with the New York State Banking Department, but his views in this article do not necessarily represent the official attitudes of that department.

The government examiner is also pleased when he finds that a qualified CPA firm has added its opinion to that of the internal auditor concerning its findings of the adequacy of protective internal defenses.

This does not imply that there should be a duplication of procedures performed by the internal auditor and the CPA, but rather that the latter should emphasize "auditing the auditor" to determine whether the audit program is sufficiently broad and properly executed. Of course, adequate tests must be made by the CPA, and his activities should include covering those audit phases which may have been omitted or only lightly touched upon by the internal auditor.

Three significant points which the government examiner likes to see included in the CPA report are the following:

(1) An expression of opinion whether the system of internal control provides the institution with reasonably effective protection.

(2) A detailed check, for a period, of income accrued and received and expenses accrued and paid to determine whether the bank is receiving all the income to which it is entitled and whether expenses are properly authorized and paid.

(3) Direct confirmation of a portion of deposits and loans unless the CPA feels, after studying the internal auditor's work in this direction, that this phase has been satisfactorily covered.

Recommendations made by the CPA for strengthening internal protection are checked out by the government examiner in all cases to determine whether they were adopted and, if not, the reasons therefor. In so far as is feasible the procedures covered by the CPA and internal auditor are accepted by the government examiner and not again covered by him. This existing example of elimination of duplication is an encouraging indication of the potential for further progress in this direction.

Internal Auditor

The internal auditor may, in some respects, be likened to the captain of a ship. One of his chief aims is to set up a tight system of checks and controls and to review them

(CONTINUED ON PAGE 94)

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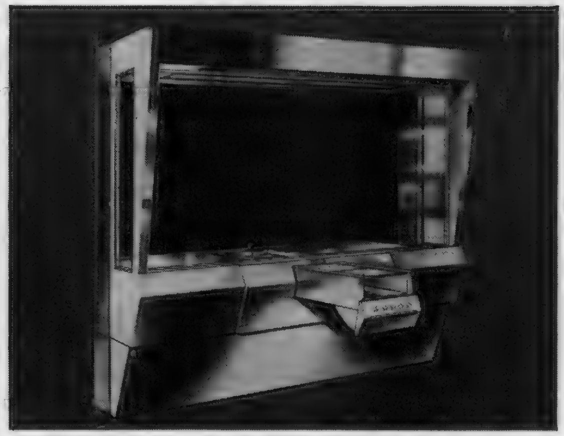

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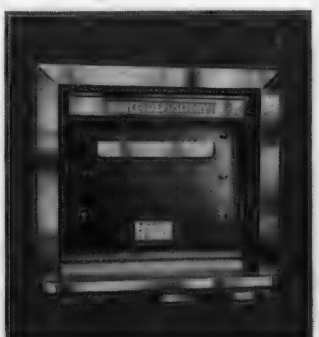

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(CONTINUED FROM PAGE 92)

frequently to determine that they work and are keeping pace with new developments. The latter includes such fast-moving innovations as revolving credit and check credit plans, mortgage warehousing, and automation.

The efficient internal auditor is ever cognizant of the law, "Nature abhors a vacuum," by seeing to it that the scope of his audit coverage is comprehensive enough to detect quickly any vacuums that may creep in. More than one internal auditor, for example, has learned the hard way that self-proving tabulating processes are not necessarily self-auditing. That's why the internal auditor should always be among those consulted whenever automation procedures or revised systems are contemplated.

Here are a few of the essential factors that the government examiner and the CPA look for when reviewing the work of the internal auditor:

(1) The audit program should be sufficiently broad and flexible with audits made at periodic but irregular intervals.

(2) The internal auditor should refer continuously to previous audit and examination reports to insure compliance with recommendations made in them and to determine whether procedures have been consistent with over-all policies.

(3) Adequate records should be kept of audits performed, substantiated by orderly work papers, to permit intelligent review and testing by the CPA and examiner.

(4) The internal auditor should cover all routine tasks thoroughly and be constantly alert for the unusual.

As a former internal auditor, and as a CPA and government examiner, it is the writer's opinion that bank examinations and audits warrant reevaluation for the purpose of reducing their frequency, minimizing duplication, and providing for better coordination of the three types of examination.

Examining techniques have not lagged in keeping pace with the tremendous strides accomplished in banking over the past 30 years. The chief problem seems to be how best to revise some of the time-honored approaches to and objectives of examinations and audits so as to eliminate the outmoded practices and improve and strengthen procedures adapted to a banking system which has achieved a high degree of maturity in management, condition, operations, and public esteem.

Who is qualified to undertake the planning of preliminary steps designed to stimulate new thinking on this subject? Who should make the specific, constructive suggestions for serious consideration?

Who else but the organizations and machinery already admirably set up for just such a task. These are the representatives of the various state and Federal supervisory agencies; the national trade organizations of commercial banks, savings banks, and savings and loan associations; the American Institute of Certified Public Accountants; and NABAC, the Association for Bank Audit, Control, and Operation. An exchange of views by these groups might well lead to the long-awaited answer to the bankers' plea:

"Why can't we have fewer, more efficient, less duplicated examinations and audits?"

MIT

Dividend Announcement

Massachusetts Investors Trust

DECLARES ITS

141st Consecutive Dividend

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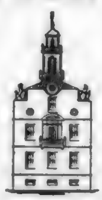

ROBERT W. LADD,
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BANKING STUDIES
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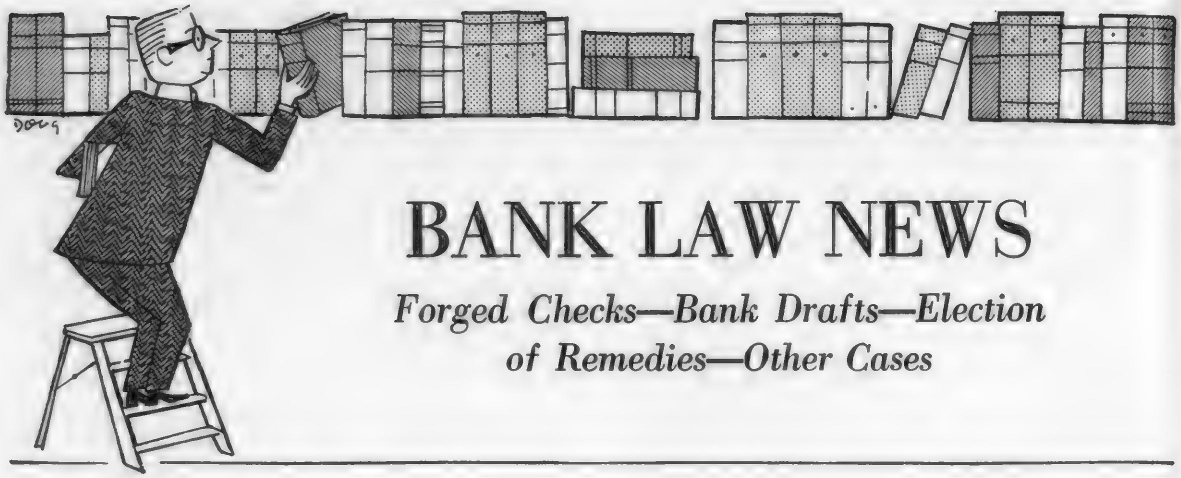

BANK LAW NEWS

Forged Checks—Bank Drafts—Election of Remedies—Other Cases

FORGED CHECKS

In North Dakota, bank is not liable for paying forged check unless depositor notifies bank of forgery within 90 days after end of month in which check is paid.

THE North Dakota forged check statute, Rev. Code (1943) §6-0807, differs considerably from the American Bankers Association's recommended statute. The North Dakota statute provides that no bank shall be liable for paying a forged check "unless within 90 days after the end of the month in which such check is paid such depositor shall notify the bank in writing that the check so paid is forged." This statute was strictly applied in a recent North Dakota Supreme Court case.

The depositor discovered that his name had been forged to 34 checks. At no time prior to the commencement of the action to recover for the amount of the checks, which was eight months after the bank had paid the items, had the depositor given the written notice required by the statute.

The depositor testified that he had not received from the bank any of the statements, vouchers, or checks which had been mailed to him by the bank at the end of the months represented by the statements.

The court denied recovery to the depositor. The court emphasized the absence in the North Dakota statute of any requirement that the depositor have notice of the forgery through the medium of the return of the forged checks or statements. The statute merely provides that the depositor must notify the bank, in writing, within 90 days after the end of the month in which the check is paid.

On this point, said the court, the "statute is clear and is therefore not open to construction." It places a burden on the depositor of "ascertaining whether a forged or raised check has been charged against his account and thus place himself in a position to give the required notice to the bank. Our statute appears to be unique in this respect. We have diligently searched for a comparable statute outside of our jurisdiction and have found none." Gipson v. First National Bank of Bismarck (N.D.) 97 N.W. (2d) 671.

BANK DRAFTS

In New York, purchase of bank draft results in executed sale of credit, not subject to rescission or countermand.

A DRAFT was purchased from defendant trust company by one of its depositors, to be used for the purchase of goods from the payee named in the draft. The purchaser sent the draft to a "stakeholder" bank in Canada, to be held until the goods cleared customs, to which condition the payee agreed. The goods never cleared and the purchaser demanded the return of the draft from the stakeholder, which was refused.

Plaintiff, having succeeded to the payee's interest, brought an "in rem" action, in Canada, against the purchaser of the draft, the stakeholder and the drawee. The Canadian court ruled that the purchaser had breached his contract, and that the plaintiff was entitled to possession of the draft.

Thereafter, payment on the draft was stopped by mutual agreement of the defendant and the purchaser, to whom defendant had repaid the amount of the draft. Plaintiff then brought action against the defendant for the amount of the draft. The trial court dismissed the complaint and the appellate court affirmed the judgment. We reported the case in the September 1958 issue of BANKING.

Rulings Were Reversed

The New York Court of Appeals, however, reversed the lower courts' rulings and entered judgment for the plaintiff. The court stated that "under principles of comity," it had to give effect to the Canadian court's judgment that the draft belonged to the plaintiff.

Therefore, the defendant was liable, even though payment had been stopped by mutual agreement of the defendant and its depositor, because of the well-settled principle that a "bank draft bought and paid for is an executed sale of credit, and is not subject to rescission or countermand."

The defendant, in reimbursing the purchaser without return of the draft, did so at its own risk because it was under no obligation to do so without receiving the return of the draft.

The court concluded: "If it (defendant) chose to satisfy an erstwhile customer, that does not furnish a reason why it should not be compelled to honor its drafts." International Firearms Co., Ltd. v. Kingston Trust Co. (N.Y.) 160 N.E. (2d) 656.

(CONTINUED ON PAGE 98)

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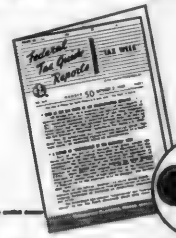

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(Continued from page 96)

ELECTION OF REMEDIES

Secured creditor does not lose right to take possession of collateral where creditor first levies execution on all of debtor's property.

In the May 1959 issue of Banking we reported a decision which illustrated how a secured creditor could become unsecured. In compliance with Article 9 of the Pennsylvania Uniform Commercial Code, the creditor and debtor had entered into a security agreement whereby the debtor "mortgaged" part of his office and plant equipment. The debtor also executed a demand note containing a confession of judgment.

Shortly thereafter, the creditor entered judgment on the note and, following default, he issued execution on the judgment. A levy was made on *all* of the debtor's property.

The debtor filed a petition in bankruptcy several weeks thereafter, and an order was entered restraining the sheriff's sale under the levy. The creditor then sought to enforce his claim under the security agreement.

The Federal District Court of Pennsylvania ruled that the creditor had lost this right. Having elected to issue execution and to levy on all of the debtor's assets, the District Court stated that the creditor was barred from recovering the property under the security agreement on the ground that the levy of execution was inconsistent with the right to take possession of the property.

Decision Was Appealed

An appeal was taken and the U. S. Court of Appeals for the Third District has reversed the decision.

The Circuit Court stated that the debt was evidenced by the note, and the chattels covered by the security agreement were collateral for the debt. Neither the debtor nor the trustee in bankruptcy became entitled to the collateral security until the debt was paid. The creditor's attempt to collect by "execution and levy can hardly be said to be inconsistent with the assertion of his claim upon the collateral. The remedies are consistent both in kind and purpose for each results in the application to the debt of the chattels covered by the security agreement and each has as its objective the reduction of the debt." In re Adrian Research & Chemical Co. (C.A., 3rd Circuit) 269 Fed. (2d) 734.

BRIEF NOTES ON OTHER CASES

Garnishment. Under Missouri law, an account in two names is not subject to garnishment for debt owed by only one of the depositors. Hanebrink v. Tower Grove Bank & Trust Co. (Mo. App.) 321 S.W. (2d) 524.

Stopping payment. Where, at time that payee deposited check in his account for collection, payee did not know that drawer had stopped payment, but prior to payment, payee had been notified by drawer of stop-order, drawee could recover amount of check from payee despite drawee's mistake in paying check with notice of stop-order. National Boulevard Bank of Chicago v. Schwartz (Dist. Ct., N.Y.) 175 Fed. Supp. 74.

Set-off. Where bank had right to accelerate maturity of depositor's promissory notes in case bank deemed maker or debt insecure, bank was not required to give notice to depositor before making set-off against his account. Baldin v. Peoples National Bank of Tyler (Tex. Civ. App.) 327 S.W. (2d) 616.

Validity of insecurity clause. In a case of first impression in Texas, court upheld clauses in promissory notes permitting acceleration of maturity if bank deemed the maker, debt, or security for the debt unsafe or insecure at any time or for any reason; acceleration justified where maker had been jailed for violation of narcotics law and was late in paying instalment on an assigned note. Baldwin v. Peoples National Bank of Tyler (Tex. Civ. App.) 327 S.W. (2d) 616.

Charge-back. Where check was deposited in drawee bank and deposit slip provided that items were credited subject to charge-back at any time before final payment, bank was entitled to charge-back check for insufficient funds six days after deposit and credit; in absence of fixed time within which charge-back may be made, reasonable time is allowed. Central Loan, Inc. v. Farmers & Merchants Bank (Ohio. App.) 161 N.E. (2d) 53.

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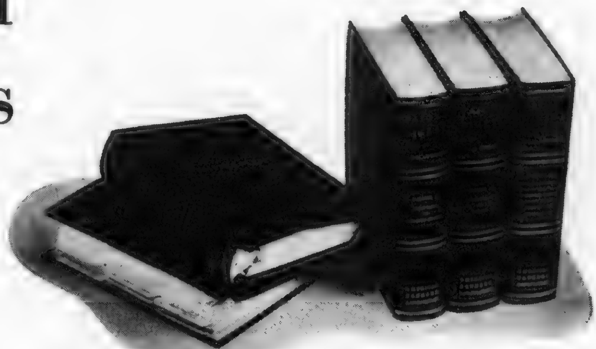

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BANKING NEWS

Effect of Economic Development on Bank Lending to be Reviewed at National Credit Conference in Chicago

Economic developments which will affect bank lending policies during 1960 will be thoroughly reviewed at the 12th National Credit Conference of the American Bankers Association to be held at the La Salle Hotel, Chicago, Thursday and Friday, January 21 and 22. The program for the conference, which will be addressed by some of the nation's outstanding leaders in banking, manufacturing, merchandising, and government, was announced by William F. Kelly, chairman of the A.B.A. Credit Policy Commission and president of the First Pennsylvania Banking and Trust Company, Philadelphia.

The national meeting, at which more than 1,000 bank credit executives will be in attendance, will be divided into four sessions—the one on Friday afternoon, January 22, to include an address by Julian B. Baird, Under Secretary of the Treasury, Washington, D. C., followed by a panel on "Money—Its Availability and Cost" conducted by the Robert Morris Associates.

Representatives of banking who will appear on the program will be headed by John W. Remington, A.B.A. president and president of the Lincoln Rochester Trust Company, Rochester, N. Y.

The tentative program for the two days follows:

Morning Session

Thursday, January 21, 10 A.M.

Presiding, Chairman Kelly; also introductory remarks by the chairman.

Address by President Remington.

Address by Robert C. Tait, presi-

(CONTINUED ON PAGE 104)

At left—
William F. Kelly

At right—
Julian B. Baird

Will Hold Second Regional Mortgage Workshop in San Fransisco Feb. 22-24

The second of a series of regional mortgage workshop conferences under the sponsorship of the Department of Mortgage Finance of the American Bankers Association will be held at the Fairmont Hotel in San Francisco, February 22-24, 1960, according to Dr. Kurt F. Flexner, director of Mortgage Finance.

General chairman of the 3-day workshop meeting will be D. C. Sutherland, senior vice-president, Bank of America N.T. & S.A., San Francisco. Other members of the general committee will be the presidents of the state bankers associations in these seven states: *Arizona:* Robert W. Heyer, executive vice-president, Southern Arizona Bank & Trust Company, Tucson; *California:* G. A. Walker, president, Farmers & Merchants Bank, Long Beach; *Nevada:* E. Parry Thomas, executive vice-president, Bank of Las Vegas; *New Mexico:* Joe B. Sisler, president, Clovis National Bank; *Oregon:* R. W. Kimberling, vice-president and manager, Bank of California, N.A., Portland; *Utah:* K. J. Sullivan, executive vice-president, Continental Bank & Trust Co., Salt Lake City; *Washington:* Joseph H. Dietzen, vice-president, Yakima Valley Br., National Bank of Washington.

The complete program, which will include talks by recognized authorities, will be announced shortly.

J. W. Remington

George Champion

S. C. Waugh

R. C. Kemper

388 Bankers from 38 States Will Enter June Freshman Class of A.B.A.'s S.G.S.B.

Savings Mngmnt. Students Told No Major Change in Curriculum

Three hundred eighty-eight bankers from 38 states, the District of Columbia, and Puerto Rico have been accepted in the freshman class of The Stonier Graduate School of Banking and will attend the June resident session of the School at Rutgers—The State University, New Brunswick, N. J., according to an announcement by Everett D. Reese, chairman of the Faculty Committee on Admissions and of its Board of Regents. Mr. Reese is chairman of the board, The City National Bank and Trust Company, Columbus, Ohio.

S.G.S.B. Requirements

Applicants for The Stonier Graduate School of Banking conducted by the American Bankers Association at Rutgers University must be bank officers at least 30 years of age and with eight years in banking or equivalent experience. In addition, applications meeting these minimum requirements were screened to appraise "other indications of abilities and seriousness of purpose." In this screening, consideration is given to such factors as the scope of the applicant's banking and business experience, the nature of his responsibilities in his bank, his participation in banking and community activities, and his educational background, especially his record in courses of the American Institute of Banking.

In a letter to students already accepted for the Savings Management course for 1960, Mr. Reese pointed out that "we have assured all students presently enrolled in the Savings Management course that they will be warmly welcomed back on campus next June — regardless of whether their banks maintain their membership in the A.B.A.

"The great majority of the second- and third-year Savings Management students," he continued, "will be returning to Rutgers, and if only out of consideration for the desire of these men to complete their course at The Stonier Graduate School of Banking, it has been definitely decided to continue the Savings Management course in substantially its present form through 1960 and 1961.

"For the 1962 session, the year of your expected graduation, it may be necessary for you to take certain electives as substitutes for the current Savings Management requirements in the final year. However, be assured that adequate arrangements will be made for you to qualify (in 1962) for the diploma of The Stonier Graduate School of Banking issued jointly by the American Bankers Association and Rutgers — The State University."

President John W. Remington Explains A.B.A. Position About Thrift Institutions and the Mason Bill

At the 13th annual Mid-Year Meeting of the National Association of Mutual Savings Banks in New York, the president of the Association, John deLaittre, read a letter dated December 4 from John W. Remington, president of the American Bankers Association and president of the Lincoln Rochester Trust Company, Rochester, N. Y.

The letter reads as follows:

Mr. John deLaittre
National Association of Mutual Savings Banks
60 East 42 Street
New York 17, New York

Dear John:

Some misunderstanding seems to have arisen concerning the attitude of the American Bankers Association, toward thrift institutions. It is my purpose in writing to you to clarify certain matters.

As president of The American Bankers Association and as an individual, I do not think or feel it is un-American or unpatriotic for any individual, company or organization to oppose any legislation which, upon mature and careful consideration and in good conscience, with due regard for the best interests of the general public and our nation, it feels it does not favor.

This applies equally to you, your associates, your national association, to the A.B.A., to me, and to others. It applies also to the fostering of legislation as well as to opposing it.

It seems best to me, in order to avoid any misinterpretation of the above, to make some mention of the objectives of the Mason and other bills, introduced in Congress to bring about some proper form of tax equality of financial institutions. The American Bankers Association, through action of it Executive Council, its Administrative Committee, and through its membership at its last annual convention, has approved of the action taken in introducing the Mason bill. The A.B.A., through its officers, will continue vigorously its efforts to bring about reasonable tax equality.

We have important common interests with your association, such as the battle against inflation, in the maintenance of a sound economy. I shall always be pleased to discuss matters of mutual interest or concern with you at any time.

Sincerely yours,
JOHN W. REMINGTON

Mr. deLaittre is president of the Farmers and Mechanics Savings Bank in Minneapolis, Minn.

Bank Career Opportunities for High School Graduates Book Completed by A.B.A.

Future Unlimited . . . Career Opportunities in Banking for High School Graduates is a slick cover 8½" x 11" booklet designed for vocational guidance people, teachers, and high school pupils to interest them in banking.

This booklet, recently completed by the Bank Personnel Administration of the American Bankers Association, is attractively illustrated with action photographs and a striking multicolored cover. It is intended as an answer to countless requests received by individual banks and the A.B.A. each year for information on job opportunities in the banking field. It will give the banks a permanent occupational sales piece comparable to what many other industries have.

Future Unlimited is available upon request to educators and students without charge. Banks desiring to distribute it on "Career Days" or otherwise in quantity in schools will be given a bulk rate price. Sample copies may be obtained without charge by writing Bank Personnel Administration, A.B.A., 12 E. 36th Street, New York 16, N. Y.

John J. McCann

John J. McCann, BANKING'S Advertising Manager, Dies in Stamford, Conn., Dec. 11

Joined A.B.A. Staff in 1942; Was S.G.S.B. and S.F.P.R. Graduate

Friends in every section of the United States will be grieved to learn of the death on December 11 of John J. McCann, aged 49, advertising manager for BANKING, Journal of the American Bankers Association, at the Stamford (Conn.) Hospital. Mr. McCann had been active in publishing and banking circles since 1932, and his activities carried him to every section of the country. He had entered the hospital early in November for observation as the result of an illness with which he was stricken while attending the A.B.A.'s national convention in Miami Beach and the annual meeting of the Financial Public Relations Association which followed.

Mr. McCann was a native of Albany, N. Y., where he was graduated from the Christian Brothers Military Academy. From 1932 through 1939, he was advertising manager for the National Savings Bank of Albany. For the next three years, he held the same post with the A. E. Nettleton Company at Syracuse.

He became associated with the American Bankers Association in 1942 as assistant editor of BANKING, and became western representative of the magazine with headquarters in Chicago in 1944. In 1948, he was advanced to western advertising manager and manager of the Association's Chicago office. In 1953, he was named advertising manager for the magazine, and in 1958 moved to the New York headquarters of the Association.

During his career, Mr. McCann was a charter member and a director for three years of the Financial Public Relations Association. He was graduated from The Stonier Graduate School of Banking, conducted by the American Bankers Association at Rutgers University, in the Class of 1943, and from the School of Financial Public Relations in 1948.

In addition to his responsibilities as advertising manager, Mr. McCann maintained an editorial feature in BANKING on bank building and equipment, and was a frequent contributor to other business publications.

Mr. McCann's home was in Springdale, Conn. He is survived by his wife, Mrs. Edna Mary McCann, and three sons, John, David, and Steven.

Commission, Council, and Committee Chairmen and Members Are Named by President John W. Remington

John W. Remington, president of the American Bankers Association and president of the Lincoln Rochester Trust Company, Rochester, N. Y., has announced appointments to the standing committees, councils, and commissions for the Association's 1959-60 fiscal year. Over 900 bankers from all types of banks and all sections of the nation participate in A.B.A. committee work. In making these appointments, Mr. Remington also named the chairmen of the various departments of the A.B.A. (Division presidents and vice-presidents were announced in December BANKING.)

Members of the Executive Council, appointed by the president to serve for one year, include the following:

H. Prentice Browning, president, American Fletcher National Bank and Trust Company, Indianapolis, Ind.; Herbert H. Cooley, president, Round Hill (Va.) National Bank; Bernard E. Finucane, president, Security Trust Company, Rochester, N. Y.; John H. French, Jr., president, City Bank, Detroit; Elwood F. Kirkman, president, The Boardwalk National Bank, Atlantic City; William A. McDonnell, chairman of board, First National Bank in St. Louis; W. P. McMullan, chairman and chief executive officer, Deposit Guaranty Bank and Trust Co., Jackson, Miss.; William H. Moore, chairman of board, Bankers Trust Company, New York; Joseph M. Naughton, president, Second National Bank, Cumberland, Md.; Harold E. Randall, vice-president and comptroller, First National Bank of Boston; Frank W. Thomas, president, Washington (Ga.) Loan & Banking Company; and Joseph W. White, vice-president, Mercantile Trust Company, St. Louis.

Administrative Committee

The Administrative Committee, which will serve under Mr. Remington's chairmanship, includes these bankers:

Carl A. Bimson, president, Valley National Bank and vice-president, American Bankers Association, Phoenix, Ariz.; I. F. Betts, president, The American National Bank, Beaumont, Tex., and treasurer, American Bankers Association; Carl E. Bahmeier, Jr., executive secretary, South Dakota Bankers Association, Huron, S. D.; John S. Coleman, chairman of board, Birmingham (Ala.) Trust National Bank; Harry Eaton, president, Twin Falls (Idaho) Bank & Trust Company; Louis S. Finger, president, Andover (Mass.) Savings Bank; Fred F. Florence, chairman executive committee, Republic National Bank of Dallas; Charles W. Hamilton, senior vice-president and trust officer, National Bank of Commerce of Houston.

Also, Elwood F. Kirkman, president, The Boardwalk National Bank, Atlantic City; William A. McDonnell, chairman of board, First National Bank in St. Louis; Lee P. Miller, president, Citizens Fidelity Bank and Trust Company, Louisville; Ralph H. Mittendorff, vice-president, American Security & Trust Company, Washington; William H. Moore, chairman of board, Bankers Trust Company, New York; Joseph M. Naughton, president, Second National Bank, Cumberland, Md.; and Joseph C. Welman, president, Bank of Kennett, Kennett, Mo.

(CONTINUED ON NEXT PAGE)

A.B.A. Committee Heads

(CONTINUED FROM PAGE 102)

The commission chairmen are:

Agricultural: John H. Crocker, president and chairman, Citizens National Bank, Decatur, Ill.

Bank Management: G. Edward Cooper, senior vice-president, Philadelphia National Bank.

Country Bank Operations: Thomas G. Wilson, president, First State Bank, Conway, Ark.

Credit Policy: William F. Kelly, president, First Pennsylvania Banking and Trust Company, Philadelphia.

Economic Policy: Jesse W. Tapp, chairman, Bank of America N.T.& S.A., Los Angeles.

Instalment Credit: Edward J. Frey, president, Union Bank and Trust Company, Grand Rapids, Mich.

Small Business Credit: Carl M. Flora, vice-president, First Wisconsin National Bank, Milwaukee.

The council chairmen are:

Banking Education: Everett D. Reese, chairman, City National Bank and Trust Company, Columbus, Ohio.

Public Relations: Melville M. Parker, executive vice-president, First National Bank, Lebanon, Pa.

Research: Roy L. Reierson, vice-president, Bankers Trust Company, New York.

The committee chairmen include:

Advisory Committee on Special Activities: William A. Mitchell, president, The Central Trust Company, Cincinnati.

Credit Unions: Archie K. Davis, chairman, Wachovia Bank and Trust Company, Winston-Salem, N. C.

Employee Training: Thomas G. Wilson, president, First State Bank, Conway, Ark.

Executive Development: William L. Butcher, chairman, The County Trust Company, White Plains, N. Y.

Federal Deposit Insurance: D. Emmert Brumbaugh, president, First National Bank, Claysburg, Pa.

Federal Fiscal Policies: Richard A. Norris, president, The Riggs National Bank, Washington, D. C.

Federal Legislation: M. Monroe Kimbrel, executive vice-president, First National Bank, Thomson, Ga.

Foundation for Education in Economics: Richard G. Stockton, chairman, Executive Committee, Wachovia Bank and Trust Company, Winston-Salem, N. C.

Government Borrowing: Robert V. Fleming, chairman, The Riggs National Bank, Washington, D. C.

Insurance and Protective: Thomas F. Glavey, vice-president, The Chase Manhattan Bank, New York.

Organization: John B. Keeline, president, Central Trust and Savings Bank, Cherokee, Iowa.

Retirement: Vance J. Alexander, chairman, Union Planters National Bank, Memphis, Tenn.

Savings Bonds: Reno Odlin, president, Puget Sound National Bank, Tacoma, Wash.

State Legislation: Elwood F. Kirkman, president, The Boardwalk National Bank, Atlantic City, N. J.

The Stonier Graduate School of Banking: Everett D. Reese, chairman, City National Bank and Trust Company, Columbus, Ohio.

Advance Program Is Announced for A.B.A. Mid-Winter Trust Conference at The Waldorf in New York, Feb. 8-10

The wide range of services available from the trust departments of modern banks to meet the needs of individuals, groups, and institutions is emphasized by the program being planned for the 41st Mid-Winter Trust Conference of the American Bankers Association. An advance program for the conference, to be held in New York at The Waldorf-Astoria, February 8, 9, and 10, under the auspices of the A.B.A. Trust Division, was announced recently by Charles W. Hamilton, president of the division and senior vice-president and trust officer of The National Bank of Commerce, Houston.

During the five sessions being arranged for the three days, more than 2,000 trust executives from banks in every section of the country will hear formal addresses and participate in discussions on such subjects as investments, pension trusts for self-employed persons under the Keogh legislation, funding pension plans, estate planning, and handling small estates and trusts. Relations with the bar, trust operating and personnel problems, systems and machines, and common trust fund regulations are among the items to be covered.

As in past years, registered trustmen at the conference will be guests of The New York Clearing House Association at a luncheon at The Waldorf-Astoria at 12:45 P.M. on Wednesday, February 10. Gardiner Symonds, chairman and president of the Tennessee Gas Transmission Company of Houston, will be the luncheon speaker.

Among prominent speakers who will address the conference are A.B.A. President John W. Remington, president, Lincoln Rochester Trust Company, Rochester, N. Y.; John D. Randall, president, American Bar Association, Cedar Rapids, Iowa; Dr. Marcus Nadler, professor of finance, New York University, New York; Austin W. Scott and A. James Casner, professors of law, Harvard Law School, Cambridge, Mass.; and Dr. Roger F. Murray, S. Sloan Colt professor of banking and finance, Graduate School of Business, Columbia University, New York.

As the program is planned, the first session on Monday morning will be devoted to formal addresses on subjects of general interest; the second in the afternoon will be taken up with speakers and a panel on in-

(CONTINUED ON PAGE 104)

At left—
C. W. Hamilton

At right—
Marcus Nadler

Robert G. Howard Named Deputy Manager, A.B.A., and Sec'y of Trust Division; G. J. Kelly, R. M. Cheseldine Move Up

Merle E. Selecman, executive vice-president and executive manager of the American Bankers Association, has announced the following changes in assignments in the A.B.A.'s New York and Washington offices, effective January 1:

Robert G. Howard, director of the News Bureau and director of the Public Relations Council, has been appointed deputy manager and secretary of the Trust Division. He will continue as director of the Public Relations Council.

George J. Kelly, assistant director of the News Bureau and director of information at the A.B.A. Washington office, has been named director of the News Bureau. He will continue his responsibilities in the Washington office in addition to assuming the new duties as director of the News Bureau.

Raymond M. Cheseldine, Jr., assistant secretary of the Public Relations Council, has been appointed secretary of the Council.

Mr. Howard, a former newspaperman and for several years an officer of the Federal Reserve Bank of Richmond, joined the A.B.A. staff in 1957 as assistant to the executive manager.

Mr. Kelly, formerly national public relations director of the American Legion, joined the A.B.A. Washington staff in 1956.

Mr. Cheseldine came to the A.B.A. in the fall of 1959 from his position as assistant to the head of the Advertising and Publicity Department of the California Bank, Los Angeles.

R. G. Howard

G. J. Kelly

R. M. Cheseldine

Mary C. Smith

Mary C. Smith Promoted from Ass't Editor, "Trust Bulletin," to Assoc. Editor

Mary C. Smith, assistant secretary of the American Bankers Association's Trust Division and assistant editor of *The Trust Bulletin,* has been appointed associate editor of the publication, Merle E. Selecman, executive vice-president and executive manager of the A.B.A. has announced.

The appointment becomes effective on January 1.

Miss Smith, a graduate of Chowan College, Murfreesboro, N. C., has been a member of the Trust Division staff for many years. She was named assistant secretary of the Trust Division in September 1955 and assistant editor of the *Bulletin* in September 1958.

Mid-Winter Conference

(Continued from page 103)

vestments. There will be a general session on Tuesday morning; in the afternoon, five concurrent meetings will be held for a discussion of pension and profit-sharing trusts, problems of small trust departments, problems of medium-size trust departments, opening and operating a trust department, and estate planning. There will be a final general session on Wednesday morning, followed by the luncheon at 12:45 P.M.

A.B.A. National Credit Conference in Chicago

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dent, Stromberg - Carlson Division, General Dynamics Corporation, Rochester, N. Y.

Afternoon Session

2 P.M.

Presiding, Carl M. Flora, chairman, Small Business Credit Commission, American Bankers Association; vice-president, First Wisconsin National Bank, Milwaukee.

Address by John H. Crocker, chairman, Agricultural Commission, American Bankers Association; president, The Citizens National Bank, Decatur, Ill.

"Management Looks at Instalment Credit," by Rufus Crosby Kemper, chairman of the board, City National Bank & Trust Company, Kansas City.

Address by George Champion, president, The Chase Manhattan Bank, New York.

Address by Louis Stein, president, Food Fair Stores, Inc., Philadelphia.

Morning Session

Friday, January 22, 9:30 A.M.

Presiding, Arthur F. Maxwell, president, The First National Bank of Biddeford, Maine.

"Mortgage Financing," Dr. Kurt F. Flexner, director, Mortgage Finance, American Bankers Association, New York.

"Export-Import Bank," by Samuel C. Waugh, president and chairman, Export-Import Bank of Washington, Washington, D. C.

"Credit Unions," by Carl E. Bahmeier, Jr., president, State Association Section, American Bankers Association; executive secretary, South Dakota Bankers Association, Huron, S. Dak.

Address by Dr. Gordon W. McKinley, executive director of Economic and Investment Research, The Prudential Insurance Company of America, Newark, N. J.

Afternoon Session

2 P.M.

Presiding, Chairman Kelly.

Address by the Honorable Julian B. Baird, Under Secretary of the Treasury, Washington, D. C.

"Money — Its Availability and Cost": panel—members of the Robert Morris Associates.

It's strange how so many smart people work for such ignorant bosses.

Savings

Objectives and Functions Defined by A.B.A.'s Savings and Mortgage Division

A STATEMENT of the objectives and functions of the Savings and Mortgage Division of the A.B.A. has been issued to clarify what the division stands for and what it does. In brief, here is the outline of the statement:

I. Savings

A. The A.B.A. is interested in stimulating and assisting bankers to encourage thrift and to provide complete savings service for the following reasons:

1. Bankers have a responsibility to encourage thrift.
   a. Savings are the basis of a capitalistic society.
   b. The tendency toward greater reliance on the Government, with its socialistic implications, can best be slowed or reversed by the reinculcation of the habit of thrift.
2. Bankers can advance both their short- and long-range advantage by encouraging thrift.
   a. Savings deposits, with their greater stability, permit investment in longer-term, higher-yielding loans.
   b. Through the promotion of savings deposits, the banks have their greatest opportunity to provide a useful service to the rank and file of the public.

B. To achieve this goal the Savings and Mortgage Division considers its savings functions and responsibilities to be:

1. To aid the banks in developing and improving their savings services through broad research, study of competitors, advancement of bank interests in savings legislation and regulation, and improvement and extension of savings educational facilities.
2. To encourage and assist member banks in providing such service through publications, reports, and meetings, increased sales efforts, preparing and making available advertising and promotional materials, keeping members advised on changes and improvements in operating equipment, methods, and procedures, encouraging banks to promote thrift and provide savings services, keeping publicity spotlight on savings and mortgage services; and, on request, supplying specialized and personalized assistance to individual banks.

II. Home Financing and Mortgage Lending

A. The A.B.A. is interested in stimulating and assisting bankers to finance home construction and to make mortgage loans for the following reasons:

1. Bankers have a responsibility to facilitate home ownership by American citizens.
2. Home finance is both a safe and a profitable form of investment for bank assets.

B. To achieve this goal the Savings and Mortgage Division considers its mortgage functions and responsibilities to be:

1. To aid the banks in better understanding the advantages, benefits, values, risks, and methods of investing in mortgages—by research, studies and reports, publications, meetings.
2. To cooperate with legislators and supervisory authorities in obtaining desirable and avoiding undesirable mortgage and housing legislation.
3. To encourage and assist member banks in becoming more active in the home financing and mortgage fields because this is one of the best opportunities for improvement of the public attitude toward banks and bankers.

Copies of the policy statement are available to member banks upon request to Savings and Mortgage Division, A.B.A., 12 E. 36th Street, New York 16, N. Y.

"Last In-First Out" Plan

THE Continental Illinois National Bank and Trust Company of Chicago liberalized its withdrawal policy on January 1 by adopting a "last in-first out" plan to better protect customers' interest accruals. For example, if a customer withdraws

Time Deposits and Other Time Investment Assets by Institutions

(In millions of dollars)

	Dec. 1958	*Oct. 1959*	*% Change*
Commercial banks	$63,166	$65,500	3.7
Mutual savings banks	34,006	34,600	1.7
Life insurance cos. (policy reserves)	87,904	92,500 (1)	5.2
Postal savings	1,134	1,000	—11.8
Savings & loan cos. (share accounts)	47,926	52,436 (2)	9.4
Mutual funds (open end cos.)	13,242	15,081 (3)	13.9

(1) Estimated Dec. 30 figure.
(2) Estimated Sept. 30 figure.
(3) Market value.

$100 during a month in which he had previously deposited $75, the withdrawal would be charged first against the $75 of newly deposited money before taking the remaining required $25 from older deposits on which he is accumulating interest.

This reverses the old "first in-first out" procedure, under which withdrawals were deducted from the balance on hand at the beginning of the interest period. If still more funds were needed to cover the withdrawal they were taken from newer deposits, in the sequence made.

Withdrawals the last three business days of each 6-month interest period can still be made without interest penalty.

Savings Bankers Report Plans, Survey the Future

A NATIONAL advertising program for 1960 was approved by the National Association of Mutual Savings Banks at its 13th annual Mid-Year Meeting in New York last month. This will mark the first time that the association has embarked on a national advertising program as a regular part of its activities.

Richard A. Booth, Springfield, Mass., chairman of the association's Committee on Education and Management Development, reported that final arrangements are now being made for the first year of its Graduate School of Savings Banking at Brown University. This will be a 3-year program, with its first resident session scheduled for June 19-July 1, 1960.

Federal Legislation

On the subject of Federal legislation, Morris D. Crawford, Jr., New York City, chairman of the NAMSB's Committee on Federal Legislation, said that the committee had devoted a major part of its time during the year in the development of a National Charter Bill.

"We have talked with savings and loan people and Federal agencies," said Mr. Crawford, "in order to sound out their views on setting up a system of national savings banks. Although our talks can only be described as 'preliminary,' we are encouraged by the responses received. . . . While we have no direct interest in the subject of savings and loan holding companies, we do have a very direct interest in savings and loan branches. If legislation is introduced seeking to define the savings and loan branch situation, then we will support a position which would restrict savings and loan branches to the most favored treatment accorded state chartered institutions offering savings facilities."

Corporate Income Taxes

Speaking on Federal corporate income taxes applied to savings banks, Edward P. Clark, Arlington, Mass., chairman of the Committee on Taxation, stated: "The National Association of Supervisors of State Banks has recognized the fundamental differences in character and operation between commercial banks and mutual savings institutions. The United States Savings and Loan League and the National League of Insured Savings Associations are standing firmly beside us in this battle."

On the question of banks' withholding taxes on interest paid to depositors, Mr. Clark said that "withholding proposals have passed the House at least twice but failed to win approval in the Senate Finance Committee. Unless the Treasury's collection experience improves, withholding at source may win the approval of both houses in the very near future." He added: "It is the sincere recommendation of the association that mutual savings banks make every effort to educate the public in this matter supplementing the information slips and placards with advertising where possible."

Effect of Economic Developments on Mutual Savings Banking

John deLaittre, NAMSB president and president, Farmers and Mechanics Savings Bank, Minneapolis, speaking on the "State of the Savings Bank Industry," stated, in part:

"Economic developments in 1959 meant significant changes for mutual savings banking. As consumer

(CONTINUED ON PAGE 125)

Millicent A. Trichler, *left*, presents a testimonial scroll to Agnes R. Martin in recognition of Miss Martin's 30 years of service to banking and her outstanding contribution to the promotion and extension of the school savings banking activity.

Miss Trichler is assistant treasurer of the Dollar Savings Bank in New York and was chairman of the Workshop Committee of the School Savings Forum of the Savings Banks Association of the State of New York. Miss Martin, who was a forum participant, is retiring on January 1, 1960 as assistant vice-president of the Philadelphia Saving Fund Society to devote her time to creative writing, for which she is trained. The Society has built up one of the outstanding school savings banking systems of the country under Miss Martin's management. For several years Miss Trichler and Miss Martin served as members of the School Savings Banking Committee of the American Bankers Association and each is a past chairman of the committee.

Edward C. Anderberg, *center*, is assistant secretary of The Green Point Savings Bank, Brooklyn, and chairman of SBASNY's School Savings Forum.

Housing and Mortgages

• NEWS •

Mortgage Lending and the Money Market

ONE hundred and fifty mortgage bankers and Government housing leaders attended the 2-day Regional Mortgage Workshop sponsored by the American Bankers Association in New Orleans and heard outstanding authorities discuss Mortgage Lending and the Money Market. In addition to the prepared addresses, two panel discussions were held, one featuring "The Marketability of Mortgage Loans and the Mechanics of the Mortgage Market" and the other "The Federal Government in the Field of Housing and Mortgage Finance—How It Affects Your Bank." Spaced over the second day of the Workshop were four seminars at which these topics were discussed: "Building Up the Mortgage Portfolio"; "The Income and Cost Side of Handling Mortgages"; "Interim Mortgage Credit"; and "Mortgage Servicing."

Digests are presented below of the prepared addresses:

Robert H. Bolton, *speaking*, president, Rapides Bank and Trust Company, Alexandria, La., and general chairman of the Mortgage Workshop, opens the meeting. Seated, *left to right*, Cowles Andrus; Kurt F. Flexner; Louis S. Finger, president, Savings and Mortgage Division, A.B.A., and president, Andover (Mass.) Savings Bank; and James J. O'Leary

Commercial Banks in a Changing Economy

By Kurt F. Flexner

IN the beginning of this century, family credit—mortgages and consumer loans—was almost negligible. Today residential mortgage credit alone exceeds in dollar volume ($125-billion) every other type of private credit. Consumer credit is close to $48-billion.

Unless commercial bankers adjust their thinking to the changes which have taken place in our economic structure, their industry will be adversely affected. In that case, what would most likely happen is that those commercial banks serving the family as well as the producers and the Government would grow at the expense of those banks which fail to do so. Commercial banks perform so vital a function in our society that they should not risk the possibility of suffering a decline, even a relative decline, through failure to adapt to the changes which have taken place.

Actually, the changes which have taken place afford the commercial banks the greatest opportunity in their history. The significant increase in the economic strength of the American family, which has resulted from economic development, has greatly widened the scope of profitable investment opportunities for financial institutions.

The American people are definitely on the road to good housing, and the greatest opportunities for mortgage credit still lie ahead.

In developing a balanced portfolio, the banker will find the mortgage playing an important role. It is not only profitable . . . but it also adds stability to a long-range investment program. For example, mortgage investments made today will bring a known and relatively high return for many years, years during which the yields of short-term investments will fluctuate within fairly wide ranges.

In maintaining a profitable and well balanced mortgage portfolio, it is necessary to stay in the mortgage market. Many banks, for example, increase their mortgage investments during relatively easy money periods and curtail them when money gets tight. The result is that they have too many relatively low yield mortgages and not enough mortgages bearing a relatively high yield. Over time this can be a costly mistake. *Dr. Flexner is director of Mortgage Finance, American Bankers Association, New York.*

Is Mortgage Lending Profitable for Banks?

By Cowles Andrus

THE very extent to which commercial banks have become involved in mortgage lending suggests by itself the favorability of such investments. At the end of 1949, insured commercial banks in the United States held over $11-billion in mortgages. At the end of 1957, however, this same group had increased its holdings to over $23-billion.

One tangible measurement of profitability that can be made involves a comparison of earnings with operating costs. . . . It is my contention

• NEWS •

that banks should not make their decisions solely on a net profit comparison basis. It seems inconceivable that a bank would fail to take into consideration the essential service which mortgage lending provides to its community. . . . A bank can be only as healthy as the community it services; and if it is to play a leading role in community development, it must be in the business of mortgage lending.

As a matter of practical necessity, a diversified investment portfolio within a bank should certainly contain some mortgages.

There is much to be said in favor of an integrated program of origination, sale, and service of real estate loans. This not only applies to mortgages but to interim financing and construction loans as well. It cannot be denied that this type of program gives us valuable working arrangements with other types of lending institutions.

The complementary activities involved in a fully integrated real estate lending program enable a bank to make maximum utilization of its managerial and organizational resources. There is no better way of keeping management up to date with current construction conditions and techniques than can be accomplished through the making of construction loans.

One other very important point involves the origination and servicing of mortgages for other types of permanent investors such as life insurance companies and large, out-of-state mutual savings banks. Many commercial banks find this to be a very profitable activity as it increases the liquidity of a bank's own portfolio and supplements its organization.

Experience shows that while the isolated mortgage may run its entire life, it is usual to expect that mortgages on the average remain on the books for a much shorter period of time.

The risks involved in FHA and VA loans are reduced to a bare minimum because of the very nature of the guaranty process. As for conventional mortgages, the Mortgage Bankers Association delinquency survey for the period ending September 30 shows that only 874 conventional mortgages out of a total of 546,524 were being foreclosed. This is a rate of only 0.16 of 1% and speaks well of the minimum risk involved. While it is impossible to make every loan a riskless loan, it is possible with the exercise of sound judgment and experience to reduce risk to a minimum and raise profit to a maximum.

In our opinion, a profitable mortgage operation can be conducted with only a skeleton organization in a small bank so long as the processing of the mortgage is not interrupted along the line. So often in a mortgage transaction, time is of the essence. *Mr. Andrus is chairman of the Real Estate Mortgage Committee, A.B.A., and senior vice-president, New Jersey Bank and Trust Co., Passaic.*

The Money Outlook and the Mortgage Market

By James J. O'Leary

A REVIEW of the money and capital markets in 1958-59 shows that the uses of loanable funds have been pressing against the available supply and that this has been the fundamental reason for the general rise of interest rates. A restrictive credit policy by the monetary authorities has played an important role in the rise of rates, but the basic force has been the enormous demands for funds.

The outlook in 1960 for the money and capital markets depends fundamentally upon the general business outlook. It now appears that, on the basis of business inventory accumulation, a step-up in business and industrial plant and equipment expenditures, rising consumer spending, well maintained spending by all levels of government, and other factors, general business activity will rise gradually through much of 1960, so that in the third or fourth quarters, GNP will reach a level around $525-billion, full employment will exist, and inflationary pressures will be present.

Under these circumstances, demands for loanable funds will remain at very high levels, and they may very likely show further increase. It seems likely, therefore, that interest rates will remain firm next year, and they may even move upward moderately.

Because of competing demands in other sectors of the market for loanable funds, notably business and industrial financing, the availability of home mortgage financing is likely to be moderately reduced next year; and it is my guess that, as a result, housing starts may decline about 10% to a level of approximately 1,200,000.—*Dr. O'Leary is director of Economic Research, Life Insurance Association of America, New York.*

Benefits of Mortgage Lending to Communities and Banks

PANEL members included COWLES ANDRUS, moderator; HARRY P. BERGMANN, vice-president, Riggs National Bank, Washington, D. C.; HOBART C. CARR, chairman of the Banking and Finance Department of the School of Commerce, Accounts, and Finance, New York University, New York; JOSEPH R. JONES, vice-president, Security-First National Bank, Los Angeles; and D. C. SUTHERLAND, vice-president, Bank of America N.T. & S.A., San Francisco.

"If business is the lifestream of a community, homes are the backbone," MR. ANDRUS said. "Without new homes to house the people, a community will stagnate. And without mortgage loans, there can be little or no home-building."

(CONTINUED ON PAGE 124)

New Housing Starts

NEW nonfarm housing starts during the first 11 months of 1959 totaled 1,294,300, which surpasses the banner year 1955, when housing starts for the first 11 months totaled 1,252,700, according to figures released by the Bureau of the Census.

Nonfarm housing starts in November totaled 92,300, which includes 1,600 public units. This compares with 109,400 starts in November 1958, which included 2,400 public units.

On the basis of the November private housing starts of 90,700, the seasonally adjusted annual rate for private starts was 1,210,000, according to the Bureau.

· NEWS ·

Instalment Credit

1959 has been compared with 1955, but . . .

If the last quarter of 1959 produced the same quarterly increase that occurred in dramatic 1955—which was not small—**1959's over-all increase would still be substantially below $5-billion**—certainly less than that of oft-compared 1955.

Look at the larger base for 1959 when comparing those two years—the increase for last year is not only less in round dollars than that of 1955—but substantially less percentagewise. Quite different from much-publicized figures prophesied by economists who have based their projections on a few particularly high months in 1959.

Delinquencies and charge-offs are at or near their all-time low. Income and net profits at an all-time high. Commercial banks are in the main expanding their instalment credit portfolios—almost 25% above 1958 totals.

Now is a very good time for reviewing charges to make sure they are both competitive and adequate. Yields have been inadequate for a long time now . . . and the trend toward re-evaluating upwards which was spotted earlier last year is growing.

◈ ◈ ◈

Car terms are holding and improving

New car terms haven't changed much—shortened a bit, if anything. The first few months of compact car sales should bring dealers full list prices.

Consumer equities in these economy cars should run at about 22%—and maturities should be comparable to those on imports—30 to 36 months.

Should small car terms be held to 30 months, standard model financing might benefit by having a little of these more "wholesome" terms rub off.

◈ ◈ ◈

Sales finance companies hold 26% of all paper

Way back in 1939, sales finance companies held 44% of all consumer paper.

At the end of 1959's third quarter, they held about 26%. Total volume was about $10-billion unevenly spread amongst about 2,000 companies.

The decline of course has been laid to (1) increasing commercial bank competition and (2) the **rise of credit unions.** To make a parallel comparison: credit unions, in 1939 held a negligible fraction of all consumer instalment outstandings; in 1959—8%.

However, although credit unions have increased holdings in general—they've passed the $1-billion mark in automobile paper during this past year—**it's still true that nobody—but nobody—has made as high a proportionate increase as commercial banks.**

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Insurance premiums . . . a fertile finance field if . . .

One state bankers association is moving for legislation for a $10 minimum rate, which would permit its members to seek aggressively the insurance premium financing business.

Big business today, this insurance premium financing. Estimated volume, $90,000,000. Some 60%-70% of this is probably in the category of assigned risks.

No need to create a situation where agents and brokers might be licensed to lend in this area, says this association.

Much existing business is being handled outside the banking field—and without regulation—with discounts up to 13% per annum.

The $10 minimum would make normal bank rates of 6% reasonable for this area of financing—and bring insurance premium financing into the fold of profitable public services performed by banks.

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Keep confidence up

Government credit controls would inevitably slow down our durable goods economy, warns A.B.A. Deputy Manager Louis J. Asterita.

The consumer holds the key—and he'll respond quickly to any uncertainties beyond his control that threaten his own personal financial stability.

Here's where bankers have an opportunity and a duty to do a public relations job. Lenders and borrowers should be permitted to set their own policies and practices. **Bankers have a distinct responsibility in doing their part toward maintaining and increasing consumer confidence.**

CALENDAR, 1960

1960 JANUARY 1960

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American Bankers Association

Jan.	21-22	National Credit Conference, LaSalle Hotel, Chicago
Feb.	8-10	Mid-Winter Trust Conference, Waldorf-Astoria Hotel, New York
Feb.	22-24	Second Regional Mortgage Workshop Meeting, Fairmont Hotel, San Francisco
Mar.	7- 9	57th Annual Savings and Mortgage Conference, Hotel Roosevelt, New York
Mar.	10-11	Agricultural Commission and Subcommittee on Agricultural Credit, Hotel Ponce de Leon, St. Augustine, Florida
Mar.	21-23	Instalment Credit Conference, Conrad Hilton Hotel, Chicago
May	12-13	Southern Trust Conference, Colonial Inn-Desert Ranch, St. Petersburg, Fla.
May	30-June 3	American Institute of Banking, Statler Hilton Hotel, Boston
June	13-24	The Stonier Graduate School of Banking, Rutgers—The State University, New Brunswick, N. J.
Aug.	8-26	The National Trust School, Northwestern University, Evanston, Ill.
Sept.	18-21	86th Annual Convention, New York City

State Associations

Mar.	24-26	Florida, Robert Meyer Hotel, Jacksonville
Apr.	22-29	Georgia, Cruise aboard S. S. Bergensfjord
Apr.	24-26	Louisiana, Hotel Roosevelt, New Orleans
Apr.	30-May 7	Alabama, Cruise aboard S. S. Bergensfjord
May	1- 6	South Carolina, Cruise to Nassau
May	5- 6	Oklahoma, Skirvin Hotel, Oklahoma City
May	6- 7	North Dakota, Dacotah Hotel, Grand Forks
May	8-10	Missouri, Sheraton-Jefferson Hotel, St. Louis
May	8-10	North Carolina, The Carolina Hotel, Pinehurst
May	11-12	Ohio, Sheraton-Gibson Hotel, Cincinnati
May	12	Delaware, Du Pont Hotel, Wilmington
May	12-14	Kansas, Topeka
May	15-17	Texas, Texas Hotel, Fort Worth
May	15-18	Pennsylvania, Bellevue-Stratford Hotel, Philadelphia
May	16-18	Mississippi, Buena Vista Hotel, Biloxi
May	18-19	Indiana, French Lick-Sheraton Hotel, French Lick
May	18-20	New Jersey, Chalfonte - Haddon Hall, Atlantic City
May	19-20	Massachusetts, New Ocean House, Swampscott
May	19-21	Utah, Royal Nevada Hotel, Las Vegas, Nev.
May	20-21	New Mexico, Western Skies Hotel, Albuquerque
May	20-24	Maryland, Shoreham Hotel, Washington, D. C.
May	22-24	California, Ambassador Hotel, Los Angeles
May	23-24	Illinois, Palmer House, Chicago
May	23-25	Arkansas, Arlington Hotel, Hot Springs
June	3- 4	Connecticut, Equinox House, Manchester, Vt.
June	7- 8	Minnesota, Leamington Hotel, Minneapolis
June	8-12	Dist. of C, The Homestead, Hot Springs, Va.
June	12-14	Idaho, The Lodge, Sun Valley
June	15-17	New York, Lake Placid Club, Lake Placid
June	16-18	Michigan, Grand Hotel, Mackinac Island
June	16-18	Montana, Canyon Village Hotel, Yellowstone National Park
June	16-18	Virginia, The Homestead, Hot Springs
June	16-18	Wyoming, Jackson Lake Lodge, Moran
June	17-18	*New Hampshire, Wentworth-by-the-Sea, Portsmouth
June	17-18	*New Hampshire Mutual Savings, Wentworth-by-the-Sea, Portsmouth
June	19-21	Washington, Davenport Hotel, Spokane
June	20-22	Wisconsin, Schroeder Hotel, Milwaukee
June	23-25	Colorado, Hilton Hotel, Denver
June	23-25	Vermont, Equinox House, Manchester
June	24-25	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
July	14-17	West Virginia, The Greenbrier, White Sulphur Springs
Sept.	8-10	Maine Savings Banks, Poland Spring House, Poland Spring
Sept.	15-17	Massachusetts Savings Banks, Poland Spring House, Poland Spring, Me.
Oct.	11-12	Nebraska, Cornhusker Hotel, Lincoln
Oct.	14-15	New Hampshire Fall Meeting, Mountain View House, Whitefield
Oct.	17-18	Connecticut Mutual Savings, Mountain View House, Whitefield, N. H.
Oct.	23-26	Iowa, Fort Des Moines Hotel, Des Moines
Nov.	10-12	Arizona, Biltmore Hotel, Phoenix

*Joint Meeting

Other Organizations

Apr.	4- 6	NABAC Eastern Regional Bellevue-Stratford Hotel, Philadelphia
Apr.	24-27	NABAC Northern Regional, Schroeder Hotel, Milwaukee
May	16-18	NABAC Southern Regional, Chase-Park Plaza Hotel, St. Louis
May	22-26	Independent Bankers Association, Hilton Hotel, Denver, Colo.
May	29-31	Association of Registered Bank Holding Companies 2nd Annual Meeting, The Greenbrier, White Sulphur Springs, W. Va.
June	6- 8	NABAC Western Regional, Hotel Utah, Salt Lake City
Oct.	10-12	NABAC 36th Annual Convention, Hotel Statler, Los Angeles
Oct.	10-13	National Association of Bank Women, Annual Convention, Huntington-Sheraton Hotel, Pasadena, Calif.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

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HAS YOUR BANK JOINED IN THE PROGRAM TO PROMOTE ECONOMIC GROWTH WITHOUT INFLATION?

A.B.A. MEMBER BANKS HAVE DISTRIBUTED OVER 200,000 COPIES OF THIS NEW BOOKLET

. . . which answers such questions as:

"WHAT CAUSES TIGHT MONEY?"

"WHY HAVE LIVING COSTS BEEN RISING?"

"HOW CAN WE AVOID FURTHER INFLATION?"

"WHY DO INTEREST RATES RISE (OR FALL)?"

"WHO REALLY BENEFITS FROM RISING INTEREST RATES?"

"DO BANKS MAKE BIG PROFITS WHEN INTEREST RATES RISE?"

This new 36-page booklet has been produced by The American Bankers Association Committee for Economic Growth Without Inflation.

The fallacy in the belief that banks cause and "profiteer" by "tight money" is discussed in detail. In fact, a tabulation of "Bank Earnings Compared" lists 21 groups of manufacturing industries, 18 of which reported better profit ratios than commercial banks during the period 1950-59.

This booklet was created for distribution among bank officers and employees and among selected lists of customers, teachers, and others. It should be "must" reading for every one who works in a bank. In addition, distribution of this booklet in your community can be good for your bank from a public relations standpoint as well as to enable you to make a real contribution to the public welfare.

A
BANKER DISCUSSES

- Inflation
- Credit Control
- Interest Rates

The booklets are available to member banks at the following rates:

1 to 49 . . .	15¢ each	3,000 to 4,999 . .	6¢ each
50 to 999 . .	10¢ each	5,000 or over . .	5¢ each
1,000 to 2,999 . .	7¢ each	Shipped F. O. B. New York	

Cost of imprinting bank name (in addition to above prices), add $3.00 per 1,000 copies. Minimum imprinting rate—$3.00 per order.

A NEWSPAPER AD to announce the booklet to the public has been prepared by the A. B. A. Advertising Department. It is available in complete mat form in two sizes, 2 column x 8" @ $1.75 each and 3 column x 12" @ $2.75 each.

PLEASE ADDRESS ORDERS FOR THE BOOKLET TO/Department of Printing, The American Bankers Association, 12 East 36 Street, New York 16, N.Y.

. . . without Inflation

(CONTINUED FROM PAGE 47)

tion, and purchasing power." It does not, however, explicitly state that reasonable stability of the price level is an important economic objective.

Congress should remove all doubt on this score by amending the act to make explicit the intention that avoidance of inflation is one of the primary aims of public economic policy.

The Farm Problem

Although farm price supports have been in effect for more than two decades, the situation has not improved, but has worsened. Farm programs have cost billions in unpredictable expenditures, have hurt many farmers, and have caused wastage of labor, land and capital.

Furthermore, repeated efforts to find solutions to the farm problem through the usual political processes have failed.

In view of these considerations, a new approach is imperative. We urge, therefore, that there be appointed a bipartisan commission to conduct a comprehensive study of this whole problem and to formulate solutions. Those named to membership on this commission should be of such ability and stature that their recommendations will command widespread bipartisan support.

Foreign Trade Policies

Progressive reduction of the barriers to international trade can contribute to economic growth, higher scales of living, and avoidance of inflation. For this reason the A.B.A. has supported the Reciprocal Trade Agreements Program. We continue to recommend the orderly and reciprocal reduction of trade barriers which this program has effected in the past.

In addition, there is need today to prepare ourselves for intensified foreign competition. Also, there is real danger that those affected by this competition may come to the Congress with requests for higher tariffs, quota restrictions, and other obstacles to competition. If requests of this kind are made, therefore, we urge the Congress to scrutinize them very critically.

Housing Without Inflation

There are good reasons for the Federal Government to encourage housing, especially for the lower income segments of the population. However, it is important that such activities be carefully coordinated with over-all economic policies. This has not always been done in the past.

More specifically, one of the primary aims of housing policy should be to help to stabilize residential construction. This necessarily means that the Government's efforts to promote housing should be concentrated during recession periods, when it is desirable to stimulate economic activity.

During booms, when business activity in general and construction in particular are at high levels, the Government should curtail its stimulants to residential building.

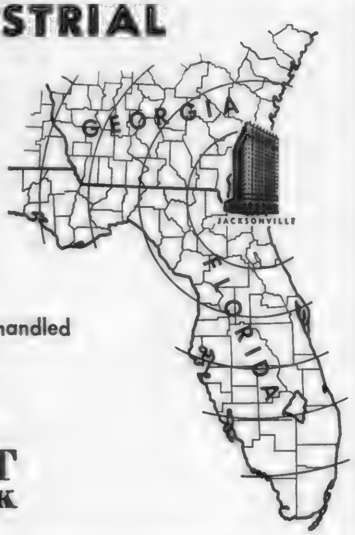
Industrial Wages and Prices

The A.B.A. Committee for Economic Growth Without Inflation has not as yet formulated positions with respect to these matters because we have not found any really thorough, impartial analysis of them and we

FLORIDA INDUSTRIAL SITES

With our affiliate and correspondent banks throughout Florida, we are in a position to offer confidential survey information on industrial location potentials in the Sunshine State. All inquiries handled in strictest confidence, of course.

Address Florida Information Desk



The BARNETT NATIONAL BANK of Jacksonville

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

ARE YOU LOOKING TOWARDS PERU . . . ?

The promotion of Peruvian foreign trade has been one of the main objects of our bank ever since its foundation 70 years ago. If you are interested in doing business in Peru, a letter addressed to us will assure you our friendly cooperation.

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have not completed our own study of the subject.

In our opinion, there is need for a clear, objective synthesis of available materials. At present, they constitute scattered fragments of a complicated puzzle. They need to be carefully sorted and put together to produce a balanced, realistic picture. We hope that the Joint Economic Committee plans to produce a comprehensive, authoritative synthesis of this kind.

Meanwhile, there are some partial remedies. First, management and labor alike should redouble their efforts to step up industrial productivity by methods that do not add to inflationary pressures. There are undoubtedly opportunities for improving efficiency in particular industries and this could yield some worthwhile price reductions.

Similarly, there is need for renewed and continuing efforts to strengthen competition throughout American industry. This is important from a long-range standpoint, although it is not the panacea that some people seem to think.

A third partial remedy would be the elimination of cost-of-living escalator clauses from wage contracts.

For Greater Understanding

We cannot expect to achieve and adhere to sound economic policies in this country unless they have widespread public support.

It is essential, therefore, to build a better understanding of these matters among all segments of the population.

The Joint Economic Committee and other committees of the Congress are in a position to accomplish a great deal in this direction.

Many private groups—professional and trade associations, labor organizations, service groups, and others—can assist by means of conducting their own educational programs. However, these organizations may cause confusion and do considerable harm if they engage in irresponsible and misleading propaganda.

Need for Research

Government has added substantially to our knowledge regarding economic problems and can clearly contribute more. It is recommended that consideration be given to establishing an independent study commission—perhaps along the lines of the Hoover Commission, or the Royal commissions in Canada — to explore some of the areas in which more enlightenment is needed. It seems clear that such a commission might be able to make important contributions.

A Sense of Responsibility

In concluding this statement, we wish to emphasize the importance of developing a stronger sense of social responsibility among all groups concerned. We say this not with self-righteous, holier-than-thou attitude, but simply because, along with many others, we recognize the basic importance of this objective and feel that mention of it may not be inappropriate in a statement on this subject.

PAY CHECK

I never have much left to show
For all my work and talents—
The government withholds a part,
My wife withholds the balance.

STEPHEN SCHLITZER

"For better service to our customers"

"For greater security with our accounts"

Teller requests ledger or signature specimen from central file area. Teller checks customer's ledger or identifies signature on a conveniently located monitor.

These are some of the reasons quoted by Bankers for installing

DU MONT® BANK-TEL

Bank-Tel closed circuit television provides instantaneous, positive signature identification to drive-in and walk-up tellers who have no access to files. Bank-Tel is a service that will help sell new customers. Modern banks and savings associations in all parts of the country are installing Bank-Tel with immediate beneficial results.

Bank-Tel planning, installation and service centers are located in 49 cities throughout the country. Write Du Mont for the name and address of your local Bank-Tel Dealer, and for literature or consultation.

At the teller's request, the central file area places a signature card or ledger on a Bank-Tel camera stand (note its business-like appearance). Information on the card appears simultaneously at the teller's window.

THESE BANKS KNEW OF THE SERVICE ADVANTAGES OF BANK-TEL, AND INSTALLED A SYSTEM TO HELP THEIR EFFICIENCY:

1. Citizen's State Bank of Park Ridge, Park Ridge, Illinois
2. Security National Bank, Greensboro, North Carolina
3. First National Bank, Denver, Colorado
4. First National Bank, Casper, Wyoming
5. Barnett National Bank, Jacksonville, Florida
6. First National Bank, Caredo, West Virginia
7. First National Bank, Escanaba, Michi[illegible]
8. Central Bank, Tampa, Florida
9. Denver U. S. National Bank, Denver, Colorado
10. American National Bank, St. Louis, Missouri

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☐ Please have your representative arrange a call

Name______

Title______

Name of Banking Firm______

Business Address______

(CONTINUED FROM PAGE 30)

CENTRAL - PENN NATIONAL BANK of Philadelphia, Pa., opens its new suburban Bala-Cynwyd office.

Merger pending approvals of stockholders and comptroller of the currency: The BLACK ROCK BANK AND TRUST COMPANY OF BRIDGEPORT, Conn., into The NATIONAL BANK AND TRUST COMPANY OF FAIRFIELD COUNTY, Stamford. Tentative opening date for newly-merged bank: February 15.

MANHATTAN SAVINGS BANK, N. Y., moves into new office at Broadway and 9th.

The GROTON BANK AND TRUST COMPANY merges into THE CONNECTICUT BANK AND TRUST COMPANY, Hartford.

FAIRFIELD COUNTY TRUST, Danbury, Conn., opens a Hayestown office in the Danbury Shopping Center.

MANUFACTURERS TRUST COMPANY, New York, opens its 116th metropolitan area banking office in Rockefeller Center's new *Time* and *Life* Building. The bank's four walls are completely of glass framed in burnished aluminum.

BANK OF DOUGLAS, Phoenix, Ariz., opens its 26th office in its new bank building at 16th and Osborn Streets. Glendale and Sunnyslope offices, set to open shortly after January 1, will bring bank's total to 11 Phoenix-area branches.

FIRST NATIONAL CITY BANK of NEW YORK opens its 83rd overseas branch. Location: Curitiba, Brazil.

HANCOCK BANK, Gulfport, Miss., opens its sixth branch, called the Mississippi City-Handsboro branch.

CENTRAL VALLEY NATIONAL BANK, Oakland, Calif., opens new building at corner of 12th and J Streets, Sacramento. Ribbon of U. S. currency strung across door was cut at opening.

FIRST STATE BANK, Indiahoma, Okla., celebrates 50th anniversary with open house.

PARK NATIONAL BANK of KNOXVILLE, Tenn., opens new Bearden Branch on Kingston Pike, S. W.

The TORONTO - DOMINION BANK opens branch in Langley, British Columbia.

SOUTH PARK NATIONAL BANK, in suburb of Houston, Tex., plans early January opening shortly after temporary building is completed.

METROPOLITAN BANK opens in temporary quarters at Vine and Selma, Hollywood, Calif.

INDIANA NATIONAL BANK of Indianapolis opens Shadeland Avenue branch.

UNITED STATES NATIONAL BANK of Omaha, Nebr., announces construction of new building to start February 1 and open shortly after April 1.

FIRST NATIONAL BANK of Stafford, Texas, newly-organized, holds open house. "History of Coinage" mural, depicting coin mintage from 700 B.C. until now, adorns lobby wall of new bank.

Late Flashes!

In this month of many staff changes, news of those following came "over our wires" just under the deadline. BANKING regrets that for space reasons, it must arbitrarily limit the number of items covering important personnel changes in the banks of the country in any one issue. Many must be held over.

RALPH R. BURGH becomes a vice-president at Chicago (Ill.) National Bank.

J. T. LANE, chairman, Atlantic National Bank of Jacksonville, Fla., joins board of Citizens and Southern National Bank, Atlanta, Ga.

THE OLD THEME SONG

We would like to start off this promising new year with our theme song, which tells the story that "the checks you sell cost you nothing." It's an old story to most of our bank customers but it may be new to those who perhaps for the first time are becoming involved in check ordering procedure. To them, in particular, we would point out that checks which are given away free are mighty expensive, no matter how low their cost may be, while the checks which are sold to customers insure full cost recovery.

Since this is true, it naturally follows that the more checks you sell the lower your net cost will be. It is also true that you will sell more checks if they are easy to sell. Further, checks are easy to sell if they are high in quality and if they are backed up by a well-planned merchandising program. They are harder to sell if quality is sacrificed in any degree, and still harder to sell if they are not supported by sales aids which have proved themselves.

Banks that deal with us lay out a lot of money for bank checks but it is astonishing how much they recover. This is due primarily to the vigorus and sustained selling effort of bank people, but we like to think it is also due in part to the steady stream of advertising folders and other sales aids we provide. After more than twenty years of trial and error, we have a pretty good working knowledge of what constitutes an effective sales program.

Now that the need for imprinted checks is recognized, substantial sums of money are involved and cost recovery takes on new meaning. Proved merchandising know-how also has greater significance. We offer high-quality checks, top-notch service, and merchandising experience.

DE LUXE CHECK PRINTERS

Manufacturing Plants at:
CLIFTON, PAOLI, CLEVELAND, INDIANAPOLIS, CHICAGO, KANSAS CITY, ST. PAUL, DALLAS, CHATSWORTH

Valley National Bank, Phoenix, promotions, include: EARL L. BIMSON, FRANK R. GUTHMANN, ROBERT T. HARRELL, MELVIN C. JENSEN, PAUL L. STANSBURY, KENNETH I. TODD, all to vice-presidencies. To assistant vice-presidencies: JAMES D. WILEY, JR.; CHARLES M. MCCURRY, JR.; MURRAY MACLEOD; J. W. (Dan) BOONE.

MARVIN L. BENNETT becomes vice-president, Federal Reserve Bank of St. Louis, Mo.

HERBERT L. THOMAS, JR., executive vice-president, First Pyramid Life Insurance Company of America, becomes board member, First National Bank, Little Rock, Ark.

THOMAS J. CARLON, THOMAS J. STANTON, GEORGE E. STOCK, all become vice-presidents at First National Bank of Jersey City, N. J. KENNETH F. X. ALBERS, becomes assistant vice-president; ROBERT F. MCCAUSLAND, JOHN M. STANTON, become assistant cashiers.

FRANK R. DYER becomes a vice-president at The Philadelphia (Pa.) National Bank; WILLARD M. BICKEL, JOSEPH K. GORDON become assistant vice-presidents.

CHARLES B. MCGOWAN, vice-president, retires from Rhode Island Hospital Trust Company, Providence.

CENTRAL TRUST COMPANY, Cincinnati, Ohio, promotes WILLIAM A. NOTTON and WILLIAM P. SCOTT to vice-presidents.

Four new vice-presidents at Citizens National Bank, Los Angeles: FRED CALKINS, ALVA E. SWEET, RAYMOND ZICKFELD, and JOHN P. BURCH.

EDWIN P. NEILAN, president, also becomes board chairman at The Bank of Delaware, Wilmington.

CHARLES J. STEWART has succeeded EUGENE S. HOOPER as president of Manufacturers Trust Company, N. Y. MR. STEWART resigned as a general partner of Lazard Freres & Co. to take the post.

FRANKLYN EDWARDS becomes assistant vice-president, Manufacturers Trust Company, N. Y.

Trust Company of Georgia, Atlanta, announces M. C. TURMAN as new senior vice-president. Newly-appointed vice-presidents are CLARK HOWELL, JR., GEORGE T. LAMB, W. M. MONTGOMERY and ROBERT STRICKLAND.

H. P. DAVISON, vice-chairman of the board, Morgan Guaranty Trust Company of New York, is newly-named chairman of Morgan Guaranty International Banking Corporation and of Morgan Guaranty International Finance Corporation.

ELLSWORTH MOSER, from president to board chairman, United States National Bank of Omaha, Nebr.; EDWARD W. LYMAN, from executive vice-president to president; DEAN VOGEL, from senior vice-president to executive vice-president.

HUGH R. CHACE becomes executive vice-president, The Bank of New York, N. Y.

JOHN M. KEYES, WILLIAM C. LANG, WILLIAM M. LEWIS, JOHN S. SCHAFFER, WALTER H. ZULCH, all assistant vice-presidents, become vice-presidents at Morgan Guaranty Trust Company of New York.

Four new vice-presidents at California Bank, Los Angeles: W. T. HARRISON, R. K. JACOBSON, W. PETER RAMBERG and JOHN G. TROPEA.

Rear Admiral OSCAR H. DODSON, USN, (ret.) is newly-appointed director of money museum to be opened in March at National Bank of Detroit, Mich.

CLAUDE S. MANGUM, REESE H. HASSELL, become assistant vice-presidents at Citizens Bank of Hattiesburg, Miss.

WILLIAM B. STRINGFELLOW, vice-president, Security First National Bank, Los Angeles, Calif., retires after 45 years of service with the bank.

ARMAND F. COMEAU becomes vice-president at Merchants National Bank, Manchester, N. H.; ROBERT A. BAILEY becomes assistant cashier; DONALD E. STILLMAN becomes cashier; WILLIAM L. MOORE becomes assistant vice-president.

ROBERT M. ASHLIN and ARNOLD W. GIETZ both become vice-presidents at National Bank of Detroit, Mich.

ANGELO J. DISPENZERE, mortgage officer, becomes vice-president, The Hackensack Trust Company, N. J.

MAX W. CAMP, JAMES R. LEITHAUSER, FRANK T. WARNER, become assistant cashiers at City Bank, Detroit, Mich.

HARRISON W. KLOCKOW becomes vice-president, First Wisconsin National Bank, Milwaukee.

KEMPTON DUNN, president, American Brake Shoe Company, becomes director, Bankers Trust Company, N. Y.

WALLACE L. REED becomes vice-president, South Carolina National Bank, Columbia, succeeding NOLAN P. SHULER, JR., who becomes senior vice-president.

SELDEN T. WILLIAMS, president, Scovill Manufacturing Company, becomes Waterbury (Conn.) National Bank director.

DANA KELLEY and ROBERT C. PATTERSON, both assistant vice-presidents, become vice-presidents, Bankers Trust Company, New York. HARRY C. DEVER becomes assistant vice-president.

ELBERT L. FRANK from vice-president, Mellon National Bank and Trust Company of Pittsburgh, Pa., to senior vice-president, The Harter Bank and Trust Co., Canton, Ohio.

ALVIN J. VOGEL joins California Bank as a vice-president. He was most recently vice-president at Central National Bank of Chicago, Ill.

DATUS E. PROPER, executive vice-president and general manager, Pearl Brewing Co., becomes board member, Main Bank and Trust, San Antonio, Texas.

BERNARD G. LEBEAU, from vice-president, First National Bank of Arizona, to vice-president, Guarantee Bank, Phoenix.

W. L. BROWN, C. E. ROBINSON, and W. J. WILDE, all become vice-presidents at The First National Bank of Boston.

"The Street"

(CONTINUED FROM PAGE 37)

serves of the member banks are the focal point of such forces. Required reserves rise or fall depending upon the change in member bank loans and investments and resulting changes in bank deposits. Loan demand, in turn, depends basically upon such things as business inventory buying for future sales, plant and equipment spending, and consumer buying. By affecting the cost, availability, and supply of bank reserves, the Federal Reserve thus gears its actions to achieve a desired degree of tightness or ease in the money market and banking system. Bank credit conditions soon affect credit conditions generally through securities and mortgage markets. Thus Federal Reserve action is aimed at influencing general economic conditions through its influence on bank credit conditions.

Watching the Trends

A given tone or atmosphere in the money market cannot be achieved overnight and depends importantly on trends over longer periods. To follow such trends means noting not only excess reserves but member bank borrowings. For example, during the week ended February 4, 1959, excess reserves averaged an estimated $353,000,000 while member bank borrowings totaled $415,000,000. "Free" reserves represent the amount of excess reserves over and above member bank borrowings. When member bank borrowings exceed free reserves, free reserves are "negative," or we have "net borrowed reserves"—in this instance totaling $62,000,000. With net borrowed reserves, the banking system may be under pressure to repay borrowings or liquidate assets, and hence to grant new credit less freely and more expensively. Following the trend of free reserves over a period of time gives a clearer view of monetary policy than a single statement of factors affecting reserves.

Response to Demand

However, free reserves fail, as does any other single measure, to reflect with precision degrees of monetary ease or tightness. The degree of ease or stringency in the market also depends on the distribution of reserves. If excess reserves are available to banks outside New York when money is tight in the city, short-term interest rates rise in the central money market and the market sucks into New York the needed liquid funds. On the other hand, if money is easy in New York when the loan demand is high outside the central market, funds move out to seek useful employment. As we know, the large money market banks attempt to keep their reserves as fully invested as possible

"I'm sorry but we can't go to a hundred thousand. The most we can let you have is seventy-five!"

FACILITIES FOR YEAR-END INSTITUTIONAL PORTFOLIO REVIEW

The sharply divergent trends of the bond and equity markets during the past year, and the noticeable alteration of yield relationships of preferred stocks and municipal and corporate bonds will result in the year-end re-adjustment of many institutional portfolios.

Whether your company's program calls for a complete review of investments or the re-adjustment of portfolios to effect profits or losses for the taxable year, Eastman Dillon, Union Securities & Co. is equipped to provide professional analysis and recommendation to meet your objectives. The Firm's offices throughout the country are in direct contact with our Corporate and Municipal Trading staffs, and have access to the complete facilities of our National Institutional Department.

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even during easy money conditions. Smaller banks find more convenient a working margin of excess reserves. So, as money becomes tight during a period of credit restraint, any idle short-term funds tend to move in general from outside New York into the central market. As money conditions ease, additional funds, that might previously have been invested in additional loans by the New York money market banks, tend to flow towards the short-term securities markets, bringing short-term rates down. Meanwhile, excess reserves also accumulate in smaller banks outside the money centers. As easy money continues, the decline in rates gradually affects intermediate and long-term securities and mortgage markets.

The Federal Reserve finds itself always doing two jobs at one and the same time. As we have just seen, it is manager of the money position of the economy—guardian of the money market. At the same time it is the responsible agency for credit policy. As manager of the economy's reserve position, the Fed attempts to estimate through elaborate studies the impact from week to week on the money market of each factor affecting member bank reserves. What's more, it may take action to guard against the potentially unstabilizing effect of such factors from week to week and day to day, adding or withdrawing reserves from the market primarily in response to seasonal or other technical money-flow factors.

Facts Plus Judgment

As the responsible agency for credit policy the Federal Reserve must analyze in great detail a host of statistics measuring all the manifold aspects of the current economic scene. It must take into account the seasonal fluctuations of business activity and credit conditions in order to estimate the scope of action necessary in the money market to achieve a given credit policy objective. For example, each year the Fed supplies reserves before Christmas to offset the seasonal outflow of currency to the public and after the turn of the year withdraws them as the money returns to the banks. The manner in which this may be done, the timing, and the responsiveness of Federal Reserve action to the pressures of the market, however, depend upon the current state of business conditions, credit demand, and the aims of credit policy.

Yet, after all the statistics of economic developments and money market conditions are accumulated and studied, the central banker sitting on the Federal Open Market Committee or managing the System Open Market Account must still rely on judgment to tell him how far or how fast he must move in the money market to achieve the objectives of a given credit policy. Through the complex cross currents that impinge on the money market from day to day he must divine the general set or drift of money conditions. He must attempt to compute and must act within the matrix of financial developments at work in the market. At times, therefore, a strategy of inaction by the monetary authorities is the best way to achieve a positive policy goal. At other times a positive move of considerable energy by the authorities may be directed primarily to offset the unstabilizing influence on the market of one or more of the technical factors affecting it.

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Course in Practical Politics

(CONTINUED FROM PAGE 55)

in politics or at best believe they are fulfilling their responsibilities by voting and then enjoying the election holiday. "Still," he added, "many of these people have skills and abilities in organizing, selling, and communicating that could have great influence in politics if they would bring them to bear on the election of suitable candidates."

A Bipartisan Effort

Chairman McDonnell emphasized the bipartisan nature of the course.

He pointed out that good workers are needed in both parties "if we are to achieve the kind of government that will give businessmen fair and reasonable treatment. The object of this course," he said, "is to train people and to get them actually participating in politics.

"We want our people to become precinct committeemen, checkers, poll watchers, telephone canvassers, and even baby-sitters in campaigns," Mr. McDonnell said. "Those who have special talents are being encouraged to assist the party of their choice as speakers, public relations representatives, finance committee members, trainers, researchers, speech writers, and political club workers, or, in fact, carrying on any of the hundreds of jobs necessary to elect public officials.

WHEN Manufacturers Trust Company, New York City, announced an "Action Course in Practical Politics" for its employees, at a regular officers' meeting, 320 employees volunteered to participate.

Manufacturers has trained 16 employees to serve as discussion leaders for several groups that will be set up to handle the 320 volunteers.

"Too many businessmen," Mr. McDonnell continued, "are overcome by political timidity. We spend our entire time at the place where laws are being made rather than at the more important point where lawmakers are being made. We must quit thinking of politics as a dirty word. Politics is not a dirty business. It is the very essence of democracy. Any businessman who insists he is not interested in politics is like a drowning man who says he is not interested in water."

Student Reaction

How is the course going over? Well, here are some reactions from those who have participated:

"After listening to three lectures, I am now anxious to take part and be of assistance in the 1960 political campaign. I feel that every individual should take some kind of active part in politics."

"I took no part in politics before taking the course, except to vote. Now I am fired up about it and have applied to my precinct committeeman for a job. I believe this course should be in our high schools."

"I certainly hope that everyone in the bank can take this course. A number of years ago I worked at the polls as a judge. I'm going to volunteer my services again in this capacity."

---

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"I think it would be fine if every individual voter could take this course. I was not active in politics prior to starting these classes but now I'm going to join my ward organization."

Enrollees who are political independents, however, have as yet found no way to get into the political swim, because regular party organizations do not want independents as workers — although they woo their votes.

On the other hand, many propositions which come before the voters have no party labels, and blue ribbon candidates are frequently supported by nonpartisan citizens' organizations.

It is the bank's hope that officers and department heads without party affiliations will be able to apply their talents in this direction.

Chase Officers Study Public Affairs

CHASE MANHATTAN BANK, New York, has established a Public Affairs Department in Personnel Administration under the direction of James J. Maher, assistant vice-president.

George Champion, president, explains the objectives and the program of the department in a film which has been shown to staff members throughout the bank during the past two months.

"In broad terms," Mr. Maher says, "the department will try to help the bank and the staff become more effective in public affairs. Our program will be strictly nonpartisan. Our aim will be to promote effective government and effective citizenship."

How to Do It

Any organization or business firm interested in sponsoring an "action course" can get full information by writing to the Business Development Department, Chamber of Commerce of the United States, 1615 H St., N. W., Washington 6, D. C. A set of course materials, including a *Discussion Leader's Manual,* the set of eight pamphlets and a set of case problems costs $18.

Subjects covered are:

(1) The individual in politics—a discussion of political participation opportunities open to individuals;

(2) Political party organization —From the precinct up, the organization of political parties generally, and the structure of parties in the local community, county, and state;

(3) The political precinct—One way to get started in politics: the precinct leader's and worker's role;

(4) The political campaign — A second way to get started in politics: how a campaign is organized;

(5) Political clubs—A third way to get started in politics;

(6) The political leader's problems;

(7) Political meetings;

(8) Businessmen in politics— what business firms, associations, and chambers of commerce are doing and can do to increase the number and effectiveness of businessmen in politics;

(9) The politicians speak—Local, county, and state politicians discuss practical politics.

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Banker Education

(CONTINUED FROM PAGE 61)

ation. The other members are Charles Fuson, executive secretary of the Oklahoma Bankers Association; C. R. Lee, executive secretary of the Washington Bankers Association; and Edward Tufts, executive vice-president of the Massachusetts Bankers Association.

From the start, this study has been regarded as an *industry* project. As I mentioned, it was undertaken at the suggestion of the state association secretaries. It will be handled on a cooperative basis with them.

The state associations have as big a stake in this study as the A.B.A. does. There are now upwards of 100 bankers' schools, seminars, and other educational programs sponsored by these groups, and these programs are expanding rapidly. Both the state and the national associations are anxious to do the best possible job for their members. Any headway we can make in meeting our common problems is all to the good.

I might add that our committee includes a number of bankers who have had very close contact with the state and regional bankers' schools, as well as with the A.B.A. educational programs. It also includes several nationally known experts in the field of in-bank personnel training and executive development. This gives us an ideal set-up for a broad-based, cooperative effort which will encompass every aspect of banking education.

Q. Does the appointment of Dr. Baughn as project director mean that the A.B.A. staff will not be utilized in connection with the study?

A. The study will not be in any way an A.B.A. staff project. The committee will have its own technical staff, headed by Dr. Baughn. Of course, it will be necessary for us to draw on the knowledge and experience of the regular A.B.A. staff to some extent, but the work will not be under their direction.

Q. Mr. Welman, are there any other important points that should be brought out in connection with the study?

A. I should emphasize, perhaps, that our study will not be tied to the past or present. If we are to accomplish what we hope to accomplish, we must take account of future developments and future needs in banking. We must look ahead.

The main problem we must face, I think, is the need to step up our educational efforts all along the line. I am convinced that a tremendous expansion lies ahead and that the educational job to be done by organized banking is much bigger than many of us realize now. It has been estimated that more than half of our 104,000 bank officers must be replaced within the next decade. Over the past five years, the total banking population has increased by approximately 100,000, or an average of 20,000 a year, and total hirings for expansion and replacement have been running somewhere between 125,000 and 150,000. Technological developments may affect the figures temporarily, but the long-range prospects are for continued increase in the number of bank customers, continued expansion of bank services, and progressively greater need for skilled people to supply these services.

This means that we shall need to accelerate the tempo of our educational efforts and move into a bigger effort over the years ahead. It also means that we must try to reduce wasted or inefficient effort, and make the best possible use of the resources available.

Our committee is going into this project in the full realization of its difficulty and complexity. The task will require breadth and vision, as well as objectivity. The problem, as we see it, is to preserve what is good in existing programs, to achieve a better utilization of what we have, to figure out ways to strengthen and improve the programs in whatever ways we can, and to recommend new ones to meet needs that we can see developing. This is a tremendous challenge, and it must be met if banking is to remain strong and free.

MONETARY MAXIM

It's well to save your money,
In fact, most people do,
But you shouldn't try to save it
From those you owe it to.

STEPHEN SCHLITZER

Magnetic Ink

(CONTINUED FROM PAGE 48)

Answer: Better count on at least a year. It will probably take much less than that for a bank to adapt its own checks, but it may take a year for the commercial accounts to complete the change. This is particularly true where the account may have an unusual size, shape, or format in its current check form.

Question: Should a bank concentrate on changing its own forms rather than spend time working to adapt the forms of checks that customers get from some outside supplier?

Answer: No! The main objective is to convert as large a volume as possible to magnetic ink encoding. The suggested target is 90% of all your checks. The customers that provide their own checks are usually the large volume accounts and so they cannot be neglected.

Question: Where a customer orders his checks from an outside supplier, who is responsible for printing the magnetic ink code along the bottom of those checks?

Answer: The responsibility for proper encoding generally rests with the one who supplies the checks, and he should see that the printer meets the A.B.A. specifications. But the bank must still keep tabs on the results for its own protection. After all, if a customer uses a lot of checks that aren't properly encoded, it's the bank that will suffer.

Question: Just what information should be encoded along the bottom of the check in magnetic ink?

Answer: The information that *must* be encoded is the bank's routing-transit code numbers and the face amount of the check. Additional information that *may* be encoded includes the customer's account number, transaction code numbers, and similar data for the internal use of the bank.

Question: What will happen if a bank does not encode account numbers on its checks?

Answer: It will have no effect whatever, so far as the clearing system is concerned. The only essential numbers in the clearing process are the routing-transit code and the face amount of the check.

Question: And won't a bank have to handle a number of small printing orders if account numbers are included in the magnetic ink code?

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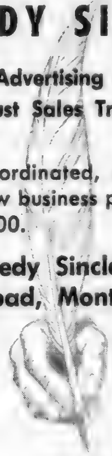

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November 27, 1959

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45 cents a share, plus an extra dividend of 10 cents a share, on Common Shares.

$1.00 a share on Preferred Shares.

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Answer: It's fairly obvious that a bank can't anticipate the varied needs of every customer and carry a full supply of individually account-numbered checks for each of its accounts. The alternative is to prepare such checks in direct response to requests by the individual customers for additional checks.

Question: How can a bank meet this problem of a number of small orders for checks?

Answer: It's very similar to the problem of handling personalized checks.

Question: What sort of equipment does a bank need to follow that kind of a printing procedure?

Answer: None at all, if the printer is fully equipped. The bank need only tell him what it wants; then he can make up the master sheets and do the necessary printing from them by offset.

Question: Can a bank meet all the check encoding requirements without adding any equipment whatever?

Answer: No, because one important step still remains to be done after the initial encoding. The final step is to encode the face amount of *every* check presented for collection. That will have to be done right in the bank.

To accomplish this a bank could get a typewriter designed for check encoding and type the amounts on each check as a separate operation. An easier and more efficient method is to encode the amounts automatically as part of the mechanics of proving. Manufacturers have made great strides in adapting their equipment to do this.

Question: When will checks actually start to be cleared by this magnetic ink character recognition process?

Answer: The Federal Reserve System has announced that pilot installations in five of its offices will go into operation by the middle of this year. It is clear that only a fraction of the total number of checks will be carrying the magnetic ink code by then. However, as more and more banks switch to it, the facilities to handle the rising volume will expand.

It is expected that the big upswing will begin in 1961. Allowing a year to make the changeover, a bank that starts now will be able to sail along on the crest of this rising tide.

101 New A.B.A. Members

ONE hundred and one new members were received by the A.B.A. during the 3-month period ending November 30. The new members include 42 head offices of banks in 15 states, 57 branches, and two associate members—one in Guatemala and one in Brazil. This announcement was made by John B. Keeline, chairman of the Association's Organization Committee and president of the Central Trust and Savings Bank, Cherokee, Iowa.

The new A.B.A. members include these newly organized banks:

COLORADO: Southgate State Bank, Colorado Springs.

IDAHO: First Security Bank of Twin Falls.

ILLINOIS: Bank of Arlington Heights; Bank of Clarendon Hills; Bank of Mount Carmel; Plaza Drive-In Bank, Norridge; Community Bank of Utica, and Villa Grove State Bank.

IOWA: Plaza State Bank, Des Moines.

KANSAS: Westgate State Bank, Kansas City.

MARYLAND: National Bank of Bethesda-Chevy Chase, Bethesda.

MINNESOTA: Metropolitan Airport State Bank, Minneapolis.

MISSOURI: Broadway National Bank, Kansas City; Citizens State Bank, Nevada; and Greene County Bank, Strafford.

NEW JERSEY: Bank of Levittown and State Bank of Rahway.

TEXAS: Gulf Coast National Bank, Almeda; North Austin State Bank, Austin; Gateway National Bank of Beaumont; Cove State Bank, Copperas Cove; First State Bank, Dell City; Medical Center National Bank, Houston; and First National Bank of Kermit.

WISCONSIN: Citizens National Bank of Lake Geneva.

The person who has a second-hand car knows how hard it is to drive a bargain.

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Federal Plans are simple: completely flexible. All promotional tools are furnished. Providing Federal low cost coverage on your installment debtors can be one of your greatest assets. We have highly trained field representatives; your inquiry is invited.

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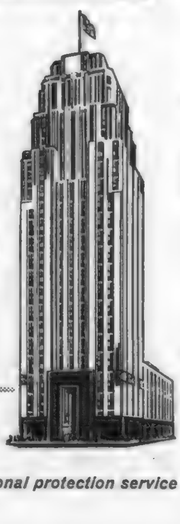

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Housing and Mortgages

(CONTINUED FROM PAGE 108)

MR. SUTHERLAND noted that some bankers take the view that it is unwise to build up mortgage portfolios, thus committing funds to long-term investment that might otherwise go into shorter-term earning assets, such as commercial loans and securities. This philosophy, he said, is not entirely sound.

"Interest rates on securities are not likely to remain at present levels," he said. "They may in the future decline. Mortgages made now, however, will continue to bring the same interest until maturity."

MR. BERGMANN stressed the safety and profitability of mortgage lending.

"Real estate loans," he said, "are the second highest source of income in many banks. Moreover, when the risk factor is weighed, the delinquency rate on mortgage loans has been extremely low. In addition, it can be proved, and has been, that real estate loans are an excellent means of building new deposit relationships and increasing a bank's business in many other lines."

MR. JONES also emphasized the benefits of mortgage lending to the banks themselves as well as to their communities. "You can best build a bank with a lot of little loans," he said, "not just a few big ones. Retail banking is a community service, and mortgage lending that helps the community grow and prosper inevitably helps the banks to grow and prosper as well."

DR. CARR, a recognized authority on the economics of housing and the financing of housing, called on bankers to increase their interest in mortgage lending not only for the reasons given by preceding speakers but also as an important move in supporting the free enterprise system.

DR. CARR made two suggestions, and he urged bankers to consider them: (1) development of some system of private mortgage insurance, comparable to the Government sponsored insurance systems; and (2) development of a privately financed (as opposed to Government financed) investment organization to issue debentures against mortgages and thus, together with the insurance system, to provide a sound secondary market for conventional mortgages.

The Voluntary Home Mortgage Credit Program

By Joseph B. Graves

OUR problem is to find a means of encouraging a fair distribution of available funds for mortgage investment in a period when the natural forces of the market argue against such a program and point up the ease with which available funds can be invested with the prime local borrower.

Since the cry on behalf of special interest groups is the ever present danger in the housing field, each lender must organize his own business to serve, along with his competitors and associates, some part of the special interest class. If we fail at this task, we have no one but ourselves to blame if the Government provides a traffic cop to direct mortgage funds down the empty avenues that exist today. Mr. Graves is executive secretary of the VHMCP.

Savings

(CONTINUED FROM PAGE 106)

spending increased, the demand for instalment buying and other pay-later privileges brought a rash of new forms of credit extension. The upsurge of short-term money rates diverted the attention of amateur investors to opportunities in the bond markets, both U. S. Government and otherwise. The stock market, despite its ups and downs, continued to lure many to the glamour of growth. The result of all of these factors has been a slowing down in the deposit growth of mutual savings banks. Although gross deposits were greater this year than in 1958, the substantial rise in withdrawals means that in 1959 savings banks will have had a net deposit gain of roughly half that of 1958. This occurred in spite of almost industry-wide increases in the rates of interest paid to savers. At year end, deposits in mutual savings banks will approach $35-billion and assets $39-billion.

"In spite of a reduced deposit flow in 1959, savings banks have financed nearly as large a volume of home building and purchases as they did in 1958, thus contributing greatly to a near-record housing year. By the end of 1959 mortgage holdings of mutual savings banks will be close to $25-billion, representing over 63% of total assets."

International Trade Position

The Honorable A. Willis Robertson, chairman of the Senate Banking and Currency Committee, commended the association for the fact that "your institutions have invested over $277,000,000 in Virginia home mortgages."

The Senator pointed to the fact that "our international trade position is directly related to our domestic economy. Our ability to win the trade war, which Khrushchev has declared, and to hold our share of the world's trade, will depend upon our producing goods and services which can successfully meet foreign competition. This, in turn, depends upon confidence in the dollar abroad and control of inflation at home."

Senator Robertson said that "the most important single element in this struggle against inflation is the balancing of the Federal budget."

Frederick L. Deming, president of the Federal Reserve Bank of Minneapolis, in a discussion of "Monetary Policy and Its Relationship to Savings Banking," said that "savings bankers and central bankers share a common interest in savings. In a very real sense, every American shares this common interest because saving makes economic growth possible." He noted that both the central and the savings banker recognize that saving is vital to growth. The one great requirement, he said, is stability in the value of the dollar and another great requirement is the proper allocation of funds for investment.

Investment Policy

Summarizing his discussion of "Savings Bank Investment Policy Over the Business Cycle," Roger F. Murray, S. Sloan Colt professor of Banking and Finance, Columbia University, emphasized "the importance of keeping constantly in mind the goal of building long-term earning power. This means holding high grade common stocks for their long-

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term yield and disregarding capital gains. It means trying to achieve a degree of independence from the perverse behavior of deposits through the business cycle. It means flexibility in asset allocation so that funds are invested in whatever market is under the greatest pressure at the time, in accordance with the adage: Buy what's in supply! Finally, it means being willing to borrow when the deposit trend turns unpredictably sour, even when this means publishing a statement which includes a conspicuous bills payable item."

Economic Outlook

"One strong base for confidence that business will be expanding right through next year is found in the results of our recent McGraw-Hill fall check-up on business' plans for new plant and equipment next year," said Vice-president Dexter M. Keezer in an analysis of "The Economic Outlook." "The survey, which was taken after the steel strike had been long in progress, found that business planned a 10% increase in its investment in new producing facilities in 1960, and already had plans to continue a high level of investment in 1961," said Mr. Keezer. "That is the stuff of which sustained prosperity is made," he added. " 'As goes capital investment so goes prosperity,' is a watchword in our office and it has never let us down."

Mortgage Lending

"Already the clamor for emergency Federal action to support the housing market has begun," said Robert M. Morgan, vice-president, Boston Five Cents Savings Bank. "Proposals to pump $1-billion or more of direct Federal funds into housing through FNMA have been offered," he said. "Savings banking has consistently opposed such action before Congressional committees and will continue to do so. Increasing dependence on Federal intervention can lead only to a reduced role for private enterprise in housing, a trend no less important to builders, suppliers, and private citizens generally, than it is to mortgage lenders.

"Mutual savings banks, notwithstanding a reduced inflow of savings this year, have maintained their volume of mortgage lending at close to the high 1958 volume."

Progress Made in A.B.A.'s Magnetic Ink Program

(CONTINUED FROM PAGE 54)

ance of banks, office equipment manufacturers, and printers. None of these specifications has caused a serious problem for equipment manufacturers, but some printers have had difficulty in meeting certain tolerances prescribed in 5 of the specifications.

Technical Details

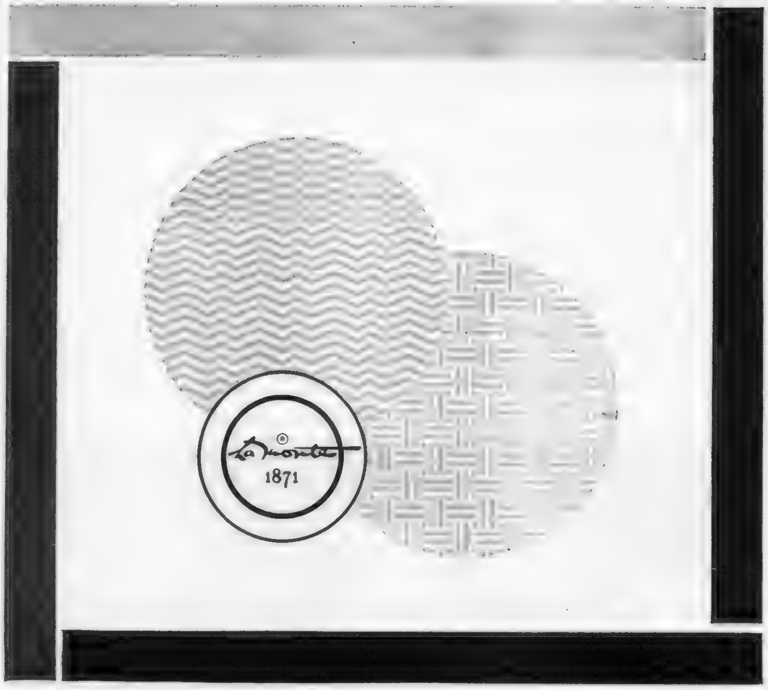
"The technical details involved in these specifications changes are included in this report to assist the technicians and operating people in the banking, office-equipment manufacturing, and printing industries who are working on the check mechanization program.

"The tremendous progress during the last six months by the office-equipment manufacturing and the printing industries, as well as the experience gained to date by all concerned, has made possible this announcement which should serve as a further stimulus to the progress of the common machine language program."

Will Expedite Job

G. Edward Cooper, chairman of the Bank Management Commission, notes that the progress report "should do much to facilitate and expedite the job of getting a substantial flow of imprinted and encoded checks into the check collection process." Mr. Cooper is senior vice-president of The Philadelphia National Bank.

"The first of the month gives you the feeling of being wanted, doesn't it?"



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BANK EARNINGS

(CONTINUED FROM PAGE 40)

Significance of Deposit Turnover

To the Federal Reserve authorities, the velocity of money turnover is a major factor to consider in deciding how fast the volume of deposits should be permitted to increase. Ever since the end of World War II, with only occasional interruptions, deposit velocity has been rising rapidly. Many depositors, especially business firms (and also, incidentally, the U. S. Treasury), have been carrying smaller and smaller bank balances in relation to the volume of business they have been transacting. In other words, they have been utilizing their bank balances more and more economically. This has been encouraged by various factors, particularly by higher interest rates.

This substantial rise in deposit turnover has been one of the chief reasons why the Reserve authorities have restricted the growth of bank deposits to the extent that they have over this period.

Deposits Should Rise Faster

So, what will happen to deposit turnover? It probably could increase somewhat more. If interest rates average somewhere around present levels over the coming decade, as seems not unlikely, some business firms and even some individuals may economize more on the use of their bank balances.

However, the *rate of increase* in velocity is almost sure to slow down. Turnover has now returned to a more normal level. Many corporations have already gone about as far as they can toward financing more sales per dollar of cash on hand. From now on, in fact, rising sales may mean relatively much larger demands for more cash than has been the case in recent years.

This would obviously have significant implications both for deposit turnover and for deposit growth—and also, incidentally, for the volume of bank loans to business.

As the rate of increase in velocity slows down the Federal Reserve authorities should be willing to permit a faster expansion of bank demand deposits than in recent years, particularly if business urgently needs more bank credit. In other words, now that most of the excessive liquidity inherited from World War II has been squeezed out of our economy, a more rapid increase in demand deposits should be in prospect.

This story is presented graphically in Chart IV. It is apparent that changes in bank debits closely parallel changes in gross national product. However, the volume of debits can be regarded as consisting of the product of two components: the volume of deposits ("M" for money), and their rate of turnover ("V" for velocity). If "MV" continues to expand with gross national product and if "V" levels off, "M" is bound to rise more rapidly.

As a matter of fact, the projections shown on Chart IV may be on the conservative side, based as they are on an estimated rise of gross national product to $700-billion by 1970. Some economists forecast greater expansion than this, even assuming constant prices, and, of course, the dollar increase both in GNP and in "MV" might be appreciably larger if there should be even

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a moderate further rise in the general price level.

Opportunities to Increase Earnings

A more rapid expansion of demand deposits suggests the possibility that many banks may be able to reduce their operating expenses per deposit dollar. From the standpoint of banking operations, the rising velocity of deposit turnover since World War II has meant that checking account activity and the cost of handling these accounts have increased much more rapidly than the volume of deposits. As the rise in deposit velocity levels off, this sharp upward trend of bank costs per dollar of deposits should slacken, too.

Will the banks be able to employ these additional deposits profitably? That will depend largely upon the resourcefulness of individual bank managements in developing sound and profitable types of lending.

For example, some banks have been outstandingly successful in expanding their instalment lendings. Others have not.

Some have built up a good volume of term loans to small business. Others have not.

Some have acquired substantial portfolios of conventional mortgages. Others are content to hold mostly Government-guaranteed mortgages with lower yields.

Some have successfully pushed their own plans for home improvement loans. Others take Title I loans when applicants happen to apply.

Some have gone in for various types of interim real estate financing on a sound, profitable basis. Others have paid no attention to the new opportunities in this field.

Some have met credit union competition by taking banking services to workers in their plants. Others deplore this competition but have done nothing about it.

Some Could Show Improvement

Thus we could go on. Many individual banks, of course, cannot develop all of these types of lending. It seems clear, however, that some banks may be able to do more than they have done to date.

The same comment applies to other sources of income. In rapidly growing areas, for example, some banks have taken advantage of opportunities for originating and servicing mortgages placed with other investors.

And in the same way, despite their disadvantages, some commercial banks have been competing effectively for savings deposits, while others have not. Banks can get a goodly share of this business if they really go after it. But they won't if they don't.

A Challenge to Management

So, to sum up, the art of maintaining a proper balance in a bank's safety, liquidity, and earnings positions is going to become increasingly difficult. Some of the chief factors which have helped to sustain bank profits in recent years will become less favorable. And, in all probability, competition from other types of financial institutions will get even tougher.

Somewhere along the line, therefore, many banks are likely to encounter difficult earnings problems. In most cases, however, these problems can be solved by alert managerial policies. With such policies, there is no reason why commercial banks cannot survive and thrive over the years ahead.

There are times when bankers cannot make available to a client the full amount of money desired.

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New Books

BANK MANAGEMENT. By *Walter Kennedy*. Bankers Publishing Company, Boston. 258 pp. $8.50. This is a revised second edition of "a comprehensive guide on sound principles, policies, and procedures in all the functions of a commercial bank." Mr. Kennedy, president of The First National Bank, Montgomery, Ala., and former president of the A.B.A. Trust Division, was widely acclaimed for his book when it first appeared in 1958. To the new edition he has added a discussion of recent banking developments, including charge account and check-credit services; a revised statement of investment policies; a plan for progress reports on all bank employees; and a revision of the former chapter on real estate appraisals. The text as a whole concerns the management of a medium-sized bank, and covers organization principles, manual of procedure, personnel program, fringe benefits, loans and investments, public relations, auditing and budgeting among other subjects.

BUSINESS EXPERIENCE WITH ELECTRONIC COMPUTERS. Controllers Institute Research Foundation, New York. 191 pp. $5. This research study and report was made by B. Conway, J. Gibbons, and D. E. Watts of Price Waterhouse & Co., New York. It presents compactly the lessons learned in a decade of pioneering with electronic data processing equipment by a cross-section of American business. The findings are offered as an aid to companies in deciding what equipment to get and in directing its use. Some "thoughts on the next five years" are also offered.

BANKER'S ATTITUDES TOWARD THE CPA. American Institute of Certified Public Accountants. 44 pp. $3.50. Interviews with 100 commercial loan executives indicated a high regard for CPA reports, but there were some complaints that CPAs have too narrow a view of their function and that they tend to forget the bank's need for credit information. The bulletin suggests steps the accountants might take to improve their relations with bankers.

INDUSTRIAL MAN: BUSINESSMEN AND BUSINESS ORGANIZATIONS. By *W. Lloyd Warner* and *Norman H. Martin*. Harper, New York. 580 pp. $6.50. A collection of articles about the executive, the entrepreneur, corporate officer, and the industrial world of which they are important parts. Numerous authors contribute.

CASE PROBLEMS IN FINANCE. By *Pearson Hunt, Charles M. Williams, James T. S. Porterfield, Leonard C. R. Langer*, and *Robert F. Vandell*. Richard D. Irwin, Inc., Homewood, Ill. 694 pp. $9. Third edition of a text emphasizes use of working capital in financing current operations of small and medium-sized companies.

Books Received

RAILROAD EQUIPMENT FINANCING. By *Donald MacQueen Street*. Columbia University Press, New York. 177 pp. $6.

THE DEMAND FOR MONEY: SOME THEORETICAL AND EMPIRICAL RESULTS. By *Milton Friedman*. National Bureau of Economic Research, New York. 25 pp. 75 cents.

THE INTERNATIONAL FLOW OF PRIVATE CAPITAL 1956-1958. United Nations. Columbia University Press, New York. 75 cents.

ENOUGH TIME?: THE PATTERN OF EXECUTIVE LIFE. By *Eric Hodgins*. Doubleday & Co., New York. 102 pp. $2.50.

HOW TO TAKE A CHANCE. By *Darrell Huff* and *Irving Geis*. W. W. Norton, New York. 176 pp. $2.95. A light-hearted briefing on probability.

PROFITABLE MANAGEMENT FOR MAIN STREET; A SMALL BUSINESS HANDBOOK. Dun & Bradstreet, Inc., New York. 48 pp. $1.

INTERSTATE INCOME LAW, WITH EXPLANATION. Commercial Clearing House, Inc., Chicago. 64 pp. $1. New Federal limitations on state taxes.

REAL ESTATE BROKER'S LEGAL GUIDES. By *Malcolm C. Sherman*. Spaulding-Moss Co., Boston. 99 pp. $3.

MONEY AND BANKING. By *Eugene S. Klise*. South-Western Publishing Company, Inc., Cincinnati. 726 pp. $6.25. Second edition of a textbook.

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This department is compiled by ETHEL M. BAUER *of* BANKING'S *staff.*

TWENTY-ONE separate totals are available in the **National Cash Register Company's** new Class 33 accounting machine. Automatic credit balances are obtained from all 21 totals. This machine has many other features exclusive with National accounting machines. Write **Product Information, Dayton 9, Ohio.**

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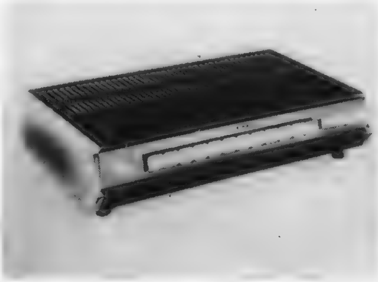
A SPECIALLY treated, nonwoven cleaning cloth which imparts a clean, lustrous finish to floors, without any slip hazard, is produced by **Non-Woven Fabrics Div. Chicopee Mills, Inc.** The Masslinn cleaning cloth contains a fire retardant and a germicide and is inexpensive enough to discard after long use. For illustrated brochure and a free sample write to the company at **47 Worth St., New York 13.**

THE DEVELOPMENT of Katex, a new non-inflammable bookbinding adhesive which makes it possible to bond vinyl plastic book covers to paper, has been announced by **Adhesive Products Corporation.** This adhesive is fast grabbing and dries crystal-clear in minutes leaving no residual odor. Binds strong and permanently, is easy to work with and safe to use. The adhesive may be applied by brush, spray or machine and can be cleaned from equipment with soap and water, before it dries. For additional information write to **1660 Boone Avenue, New York 60.**

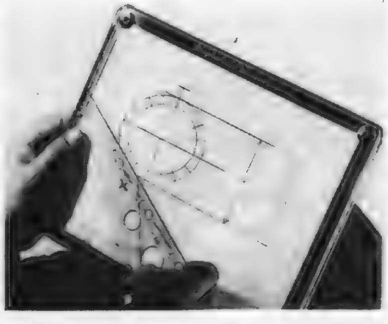
AN ALL-TRANSISTOR intercommunication system has been announced by **Talk-A-Phone Co.** Proportioned like a book, the new Chief lies flat



on the desk and is less than 3 inches high. The new models are finished in brushed chrome and charcoal gray. For additional information write to **1 N. LaSalle St., Chicago 2.**

A NEW aluminum literature rack, designed to keep promotional and banking service literature attractively displayed, clean, neat, and orderly, is being manufactured by **Simplicity Tool Company, 2850 N. Mississippi Avenue, Portland 8, Oreg.**

A LOW-COST, lightweight, portable drawing board, weighing less than eight ounces, is available from **Leslie Creations, Lafayette Hill 4, Penna.** Board is translucent, comes complete with two transparent plastic triangles. Two retractable metal straight-edges eliminate the need for a T-square. No thumb tacks or scotch tape needed.



BOOKLETS

AN 8-PAGE booklet, *The Microphone in Public Address Systems,* just announced by **Shure Brothers, Inc., 222 Hartrey Avenue, Evanston, Ill.,** tells you how to use a microphone like an expert. Copies are available at no charge by writing to the company.

AN 8-PAGE, full-color reference guide to movable partitions from rail high to ceiling height has just been published by **Workwall Division, L. A. Darling Co., Bronson, Mich.** Copies of this publication, identified as Brochure 460, along with further information on specifications, availabilities, dealer listings, and so on are available on request.

Ideas That Save Time & Space is an informative, 12-page, 26-photo presentation just published by Acco Products. It highlights new and efficient filing and binder techniques. Copies of the booklet are available, free of charge, by writing to **Acco Products, A Division of Natser Corporation, Ogdensburg, N. Y.**

A NEW 40-page catalog full of creative sales ideas has just been issued by **The Marvic Company, 861 Manhattan Avenue, Brooklyn 22, N. Y.** Catalog will be sent free to any business firm requesting it.

A 12-PAGE illustrated catalog on balanced doors is being offered by the **Ellison Bronze Co., Inc., Jamestown, N. Y.** This interesting booklet will be sent free upon written request.

Investing for Banks is a 24-page booklet just published. It is available from **First National Bank in St. Louis.** Write for your free copy to **510 Locust Street, St. Louis 1, Mo.**

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News for Country Bankers

(CONTINUED FROM PAGE 80)

Current Agricultural Situation

EXPANDING *livestock production,* record equaling crop output and growing surpluses of grains dominate the price outlook for farmers next year.

Prices to farmers probably will average at a lower level in 1960, than in 1959, costs will edge up, and realized net income of farmers is likely to decline, probably about half as much as this year.

The *index of prices* received by farmers fell five points to 230 (1910-14=100) during the month ended November 15. This was 7% below last year and the lowest since March 1957. Items which weighed heavily in the decline were lower prices for meat animals, cotton, and oranges.

Production of 1959 crop *cotton* based on December 1 conditions, is estimated at 14,600,000 running bales, with a yield of 465 pounds per acre, down slightly from last year's record of 466 pounds.

Milk production has declined slightly in 1959 for the second consecutive year to a level of about 124.7-billion pounds, after increasing from 116-billion pounds in 1952 to 125.7-billion pounds in 1957.

The record production of *feed grains* in 1959 may push the carryover into 1960-61 to 80,000,000 tons —about 20% larger than this year.

Activity in the domestic *wool* industry is generally at higher levels this year than a year ago. Prices received by growers for shorn wool are higher than last year, while U. S. production is 5% higher in 1959 than a year ago.

Assets of agriculture increased further this year, with the rise in land values accounting for most of the gain. While farm indebtedness increased further, higher land values were enough to improve the net asset position of farm proprietors.

Prepared by U. S. Department of Agriculture.

Large Size Bills

THIRTY years ago last July 1 the Government started replacing large-size bills with the present size. Now there are still outstanding $142,800,000 of the large bills.

Those still out and not in the hands of collectors of currency must be regarded as lost. Yet the Treasury is holding silver, gold, and other reserves for the redemption of the currency that presumably will never come back. For such silver certificates and Treasury notes of 1890 still out, more than 31,000,000 silver dollar coins are being held. For the gold certificates of a face value (pre-devaluation) of $18,500,000, gold is held.

Also outstanding are large-size Federal Reserve and Federal Reserve bank notes, national bank notes, and U. S. notes.

Legislation is pending authorizing the writing off of the large-size notes which the Treasury regards as permanently lost. This will free the reserves.

In the case of the silver notes, I understand the intention is to issue new silver certificates.

Incidentally, if the Treasury ever runs out of "free silver" for its subsidiary coinage needs, it has the power to withdraw silver certificates from circulation and recoin the silver dollars (monetary value $1.29 an oz.) into subsidiary silver (monetary value $1.38 an ounce), in effect using the subsidiary silver coins to buy Federal Reserve notes. In short, Federal Reserve notes may be substituted for silver certificates now outstanding — the small-size banknotes as well as the big, pre-1929 size—without any legislation. When the silver Senators realize this they will take a chill.

"But, mister, *we* don't care if it takes a lot of time for you to dig up some Indian head pennies! We have all day"

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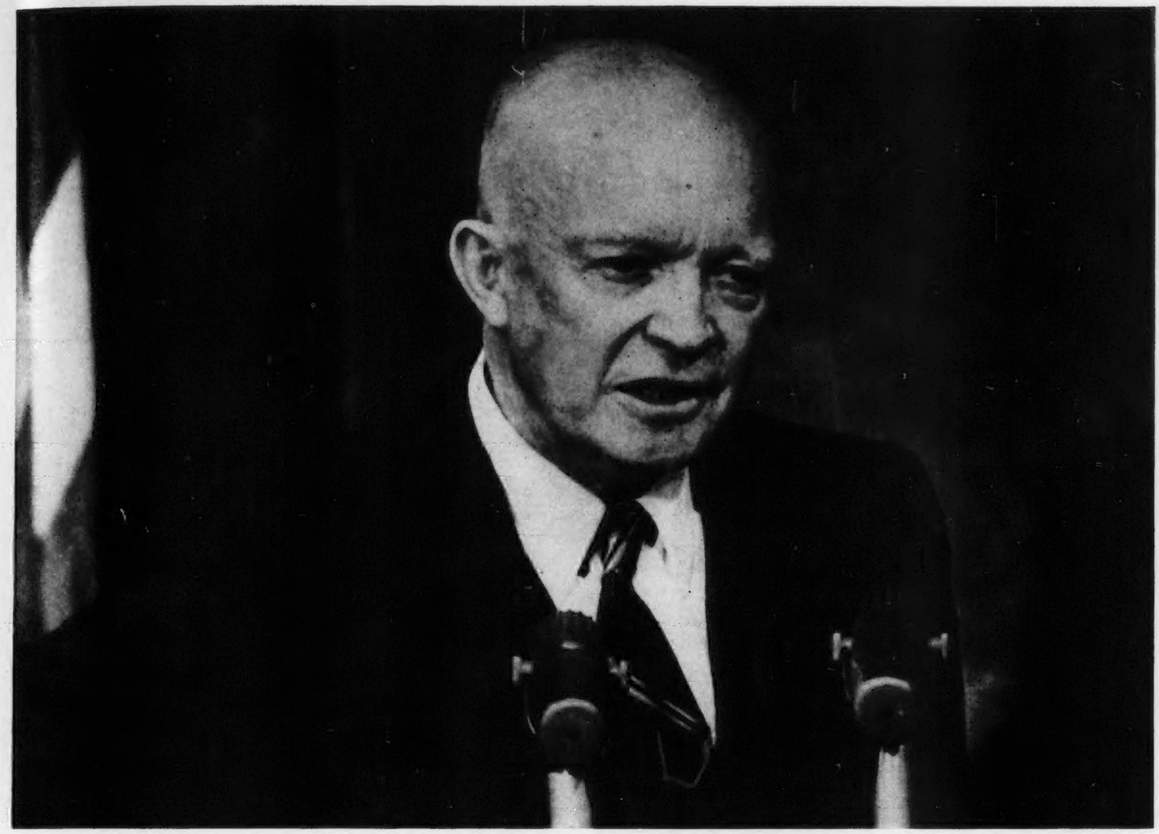

"To my mind there is no better way of saving, no more effective way of strengthening our power for peace, than to own United States Savings Bonds. To buy bonds is to express faith in America. It helps provide the economic strength in both our Government and in individual families on which our freedom depends. I hope that the making of both old and new Savings Bonds even more attractive will serve as a renewed invitation to every citizen to buy and hold these 'Shares in America.'"

Dwight D. Eisenhower

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BANKING

The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 35)

mendous number of workers in strike-affected industries, however, are among the unemployed at this time.

This picture, however, is well within any practical definition of full or high employment, because the term includes unemployables, whose numbers are rather difficult to measure.

Accelerating Growth a Prime Concern

Productivity is going to come in for much discussion in a somewhat new vein. Growth without inflation might well be amended to underscore *increased growth* without inflation. How to increase the rate of growth should be made project number one along with the development of a sense of national purpose to carry through such a program.

Greater economic growth must come to be thought of as a specific objective of national concern with a definite, coordinated plan for achieving it.

Our great industries which have made this country the leading industrial nation of the world could never have reached their present dimensions without a central purpose and completely coordinated management of high caliber.

We'd Be There

It is interesting to speculate where we would have been in our space competition with Russia if 10 years ago the job of landing on the moon had been given to one or several of our industrial giants with no political or financial strings attached—just do it and get there.

Granted there is something slightly ludicrous to be reaching for the moon while so much remains to be done here on earth, the fact remains that the Russians, merely by claiming to have landed their flag on the moon, and by naming some lunar geography "Moscow Lake" and so on, achieved a phenomenally high status in this epoch of international status seeking.

Our foreign aid and trade program illustrates as well as anything the fatal defect in the political way of doing business. In the 1940s and early 1950s we built up various programs of giving away billions to help the postwar world get back on its feet.

The process accomplished some good at first but with obviously diminishing returns. However, through sheer momentum the program continued as a way of life even after most of the conditions which brought it about had disappeared.

More Anachronisms

The same is true in varying degrees of our farm price support program, labor-management policies, taxation and a host of minor regulations which persist long after the conditions they were supposed to correct have ceased to exist.

So it is that we must collide head-on with some immovable fact like the drain on our gold supply before we realize that time has moved on like a steamroller and we must keep ahead of it or get out of the way.

WILLIAM R. KUHNS

Cash Dividends Rise

CASH dividend payments by corporations issuing public reports amounted to $380,000,000 in November, which is typically a month of light disbursements, the Office of Business Economics, U. S. Department of Commerce, has announced. This compares with a total of $315,000,000 reported for the corresponding month of last year.

A large part of the increase over 1958 was due to shifts in the timing of disbursements, which contributed to higher November payments this year for oil refining, finance, paper and printing, and railroads. Apart from the effects of such shifts, November payments were about 10% higher this year than last.

1960 Corporate Fund Demand

CORPORATE demand for funds is likely to rise in the first six months of 1960 as businessmen strive to keep inventories in line with expanding sales. Because of the remarkable recovery of steel production, the increase in inventories may begin early in the year as metal fabricators and users replenish stocks depleted during the recent strike. [My comments are based on the assumption that there will be no further interruption in the production of steel in the coming months.] This may introduce a contra-seasonal demand factor in the bank loan situation, since funds usually flow back to the banks early in the year as merchants collect their Christmas trade receivables and repay their loans. The anticipated rise in capital spending by business, however, is not likely to result in a major increase in corporate borrowing in the capital market in the first half of 1960.

Initially, the demand for corporate funds will be met in part from retained earnings and depreciation allowances, which are likely to increase, and by some liquidation of the large holdings of U. S. Government obligations of corporations. The possible corporate borrowing from banks represents financing requirements over and above the funds received from retained earnings, depreciation allowances, and the liquidation of short-term assets. However, some portion of the U. S. Government obligations sold by corporations probably will be bought by the banks. This will be an additional demand for bank funds, thus adding to the pressure on bank reserves, and to the tightness of credit.

HOMER J. LIVINGSTON, *President*
The First National Bank of Chicago